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EUROPE'S BUSINESS NEWSPAPER

Thursday June 4 1987

D 8523 A

Fresh approach to Third World lending, Page 26

World news | Business summary

Japan to defend policy on Gulf

Japan was preparing an elaborate defence in case it came under pressure during the world economic summit in Venice next week to do more to help the US secure the flow of oil from the Persian Gulf to the West.

After the US frigate Stark was hit by Iraqi missiles with the loss of 37 American lives, furious US Congressmen accused Japan of getting a "free ride" on defence in the Gulf although 60 per cent of its oil imports pass through the Straits of Hormuz. Page 20

Banks penalised

Norway's central bank demanded NKr 105m ($15.7m) in penalty payments from 12 Norwegian banks for exceeding government-imposed domestic loan ceilings.

Honecker visit

Prospects for a visit to West Germany later this year by East German leader Erich Honecker revived following clear signs that Bonn and East Berlin would both welcome a further thaw in relations.

Ceasefire extended

The Afghan Government would extend a six-month unilateral ceasefire it implemented on January 15 in its war with Moslem guerrillas, Afghan leader Najib said.

Philippines poll

The Philippines' main opposition group asked election officials not to proclaim any winner in the senatorial elections, saying it would sharpen political tension.

Australian opposition

Australia's opposition Liberal and National parties began rebuilding common positions after Sir Joh Bjelke-Petersen, the maverick National Party Premier of Queensland, withdrew from the forthcoming federal election. Page 20

Weinberger plea

Atlantic alliance leaders must educate their citizens in the terrible lessons of the Second World War so that Western nations will stand strong against Communism, US Defence Secretary Caspar Weinberger said. Page 6

US censured

Austria accused the US of breaking international law over the expulsion of former Nazi war camp guard Martin Bartesch, 60, last week, and said it planned to return him.

ILO conference

Condemnation of South Africa's apartheid policies and a clash over Polish Solidarity trade union leader Lech Walesa marked the start of a 150-nation International Labour Organisation meeting in Geneva.

AIDS vaccine tests

A French scientist who last year innoculated himself with an experimental vaccine to combat AIDS disease said he hoped soon to start large-scale tests on volunteers in Zaire. Page 4

Diarrhoea epidemic

Nearly 200 people have been killed and at least 2,000 other infected in a fast-spreadig diarrhoea epidemic in Bangladesh.

Canadian unity

After a 19½-hour session, Canada's political leaders unanimously agreed to amend the constitution and admit predominantly French-speaking Quebec into the constitutional framework.

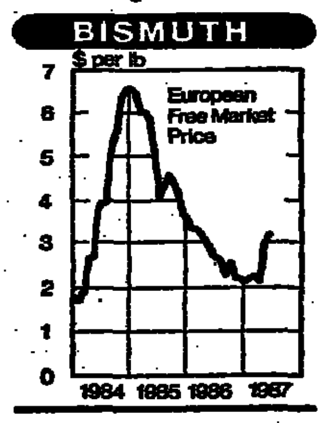
Segovia dies

Andres Segovia, Spanish grand master of the classical guitar, died in Madrid, aged 94.

Report sharply criticises El-Sayed

REFAAT El-Sayed, former majority shareholder and chief executive of Fermenta, scandal-beset Swedish antibiotics and chemicals group, "systematically abused" his position, according to a report by the independent investigator appointed on behalf of the company's minority shareholders. Page 21

JAPAN, in a move to defuse tension with the US and Europe, invited 10 foreign financial groups to apply for securities branch licences. They include affiliates of four US commercial banks. Page 44



BISMUTH, used in making steel, alloys and pharmaceuticals, has surged 50 per cent in the last month. The latest London price is $3.20 per pound. Page 32

TOKYO: Shaking off small-lot selling in the morning, share prices advanced to leave the Nikkei average above 25,000 for the first time. The index rose 146.77 to 25,049.40. Page 44

LONDON: Equities turned in an ebullient record-breaking performance following the rebound on Wall Street. Gilts eased. The FT-SE 100 index rose 15.8 to 2,235.4 and the FT Ordinary index closed up 15.3 at 1,739.6 both all-time highs. Page 44

WALL STREET: The Dow Jones industrial average closed up 42.47 at 2,320.69. Page 44

GOLD fell in London to $451.25 from $454.25. In Zurich it rose to $453.00 from $450.75. Page 36

DOLLAR rose in London to DM 1.8070 (DM 1.8040); FFr 6.0450 (FFr 6.0225); SFr 1.4935 (SFr 1.4890), and to Y142.80 (Y142.15). On Bank of England figures the dollar's index rose to 101.3 to 100.9. Page 37

STERLING closed in New York at $1.629. It rose in London to $1.6435 ($1.6430); DM 2.9700 (DM 2.9650); FFr 9.9350 (FFr 9.8950); SFr 2.4550 (SFr 2.4450); and to Y234.75 (Y233.50). The pound's exchange rate index was unchanged at 72.8. Page 37

GEC, UK engineering conglomerate, is to buy TI Group's Creda domestic appliances division for £125.9m ($201m) cash in a deal which completes TI's drive to shed non-core interests and transform itself into an international specialist engineering company. Page 9

DIGITAL Equipment and Cray Research, the leading US suppliers of minicomputers and supercomputers respectively, announced a product development and marketing agreement. It is designed to tighten their grip on the specialised scientific segment of the computer market. Page 21

MARTIN SOSNOFF of New York has raised his tender offer for Caesars World shares to $35 each from $32 but cut the number of shares he is seeking in the offer to 26.5m from 29.1m. Page 22

SCANDINAVIAN Airlines System (SAS) almost trebled its half-year profits, helped by the strong performance of its airline operations and extraordinary gains from the sale of aircraft. Page 21

INTERGRAPH, US computer-aided design system manufacturer, is believed to be a potential investment partner in a proposed management buy-out of Fairchild Semiconductor, the Silicon Valley chipmaker owned by Schlumberger, US oil services group. Page 21

German support ensures Airbus launch in Paris

BY DAVID MARSH IN BONN

A DECISION by the West German Government yesterday to spend DM 4.9bn ($2.6bn) over the next nine years to support further development of the European Airbus airliner range, assures the formal launch of the medium-range twin-engined A330 and the long-range four-engined A340 aircraft at the Paris airshow next week.

In a move partly reflecting growing worries about Airbus's financial structure, West Germany also joined Britain yesterday in declaring support in principle for collaboration between Airbus and McDonnell Douglas, the US aerospace group, to pool resources against the dominant Boeing, also of the US.

The funding decision was welcomed by Deutsche Airbus, the subsidiary of Messerschmitt Boelkow Blohm which is the West German partner in the Airbus venture, with 37.9 per cent, even though it falls far short of the DM 7bn it had been seeking.

Yesterday's West German cabinet meeting authorised the spending of DM 3bn between 1988 and 1996 in repayable grants to back West Germany's participation in the two new aircraft ranges. It also agreed to provide a further DM 1.9bn in repayable funding between 1988 and 1994 to offset financial strains on the earlier, wide-body A330 and A310 programmes.

The DM 3bn is the final batch of finance needed to launch the new aircraft, scheduled to enter service from 1992.

The British and French Governments agreed last month to funding totalling £450m ($731m) and FFr 6bn ($980m) respectively to back their aircraft industries' participation in the project.

British Aerospace has a 20 per cent share in the consortium and Aerospatiale of France 37.9 per cent, with Casa of Spain accounting for 4.2 per cent.

Deutsche Airbus said the package would help Airbus weather the fall in the value of the dollar and the low price level for aircraft.

It also said co-operation with McDonnell Douglas "could lead to advantages for both sides" in the fight against Boeing, the world's largest aircraft manufacturer.

Mr Erich Riedl, the new state secretary responsible for aerospace at the Economics Ministry, declined to spell out on which aircraft Airbus and McDonnell Douglas could co-operate, but said joining forces would help Airbus in the American market.

The support announcement represents a barely disguised setback for the efforts by the West German Government, urged above all by Mr Gerhard Stoltenberg, the Finance Minister, to increase private industry's share in the Airbus programme.

In spite of several months of talks with companies such as Siemens, Daimler Benz and BMW, the Economics Ministry has failed to bring in any fresh shareholders to back MBB in its Deutsche Airbus stake.

The Government is putting up 90 per cent of the development costs for the A330/340, a similar percentage to previous Airbus programmes – in spite of repeated pleas for industry's quota to rise.

Although stressing the Government's clear support for enlargement of the Airbus range to support European technological collaboration and 20,000 jobs in West Germany, Mr Riedl yesterday underlined the programme's economic risks.

He could not say when Airbus would be in a position to break even – a date which now, even on the most optimistic assumptions, is a long way into the 1990's.

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India abandons bid to aid Sri Lankan Tamils

By Our Foreign Staff

THE Indian attempt to send a flotilla of 20 fishing boats laden with aid to embattled Tamils in northern Sri Lanka was abandoned last night, and the boats returned to port in India in a humiliating failure of flotilla brinkmanship.

India warned last night that it would not stand idly by in the face of what it said were hardships being inflicted by the Colombo government on the Tamil minority which is largely concentrated in the northern Jaffna peninsula and the eastern province.

But Mr Lalith Athulathmudali, Sri Lanka's Minister for National Security, said: "Good sense today has, and I hope will, prevail. I hope there can be a resumption of peace talks on the Tamils issue."

The flotilla was intercepted and turned back by Sri Lanka's tiny navy which comprises one second-hand Israeli Dvora class patrol boat and six smaller coastal patrol boats.

A spokesman for India's Ministry of External Affairs said last night: "India strongly condemns the action by Sri Lankan gunboats in forcibly preventing the convoy of Indian relief vessels, carrying urgently needed and essential items and medicines, from proceeding to Jaffna."

The Indian Government had decided that the Sri Lankan Government was determined not to allow the flotilla to proceed further. "There was therefore no alternative for the relief convoy, which was proceeding on a purely humanitarian mission, but to return to Rameswaram," said the spokesman.

The flotilla had left this same south Indian port yesterday morning and, according to Sri Lankan authorities, included two large boats which could have been armed coastguard vessels.

After being stopped by the Sri Lankan navy a few hours later, the boats moored near the island of Kachchativu 35 miles from the Sri Lankan mainland and just inside the Indian side of the maritime border.

Before India decided to withdraw, Sri Lanka had alerted the United Nations secretary general of the confrontation. Earlier in the day countries including the US, China and Pakistan issued statements which sided more with Sri Lanka than with India. The UK issued a more even-handed appeal for peace.

The differences between India and Sri Lanka about the army action in Jaffna were demonstrated last night when Mr J.N. Dixit, India's High Commissioner in Colombo, described as "unmitigated poppycock" army claims that only 46 Tamil civilians, 29 soldiers (all belonging to the island's majority Sinhalese race) and 91 Tiger extremists had been killed in the past week. He claimed the figures were nearer 500 civilians, 300 soldiers and 200 Tigers.

Meanwhile, the Tigers' counter-offensive continued to build up yesterday in the wake of defeats last week in part of the Jaffna peninsular. Three soldiers were killed, and 40 were injured when a car bomb blasted Jaffna's telephone exchange building which was used as a depot by the army.

Editorial comment, Page 18

Post Office considers ways of transferring sales

Britain may stamp on the queue

BY DAVID THOMAS IN LONDON

A MAJOR difference between the British and many of their European neighbours may be about to disappear.

In France, as every visiting British school child soon learns, someone wanting to send a letter can dive into a tabac and emerge two minutes later clutching a stamp.

In Britain, by contrast, someone needing a stamp has to visit a post office and stand in a long line, most of whose members want to pay for a dog licence, arrange for a visitors' passport and collect their pension payments.

The British approach to stamp-buying can be defended on a number of grounds: it has helped form the British character; and it ensures that stamp-buyers rub up against people from a wide variety of social backgrounds.

However, there is a sizeable body of opinion in Britain that these advantages are outweighed by it also being extremely frustrating and a waste of time.

The Post Office, 147 years after its foundation, has at last taken the point.

It is studying a package of measures, so far unannounced, designed to transfer more stamp sales, if not to tabacs, then to shops, hotels, railway stations and the like.

It may decide to offer discounts on bulk purchases of stamps to outlets wishing to re-sell them.

Some hotels and shops already sell stamps in Britain, but until now the Post Office has not offered them any incentive to do so.

As a result, only 10m stamps were sold in non-Post Office outlets last year, compared with 800m in post offices.

The Post Office, which has not finally decided whether to offer these discounts, is keen to dampen hopes that fortunes will be made out of the resale of stamps.

It points out that most stamps are of low value and margins will be tight. In France, it reckons, discounts are only of a couple of per cent.

So it is studying other ways in which commercial organisations can be persuaded to start selling stamps.

One might be to start packaging stamps attractively so that stamp buying will become a fun experience.

Another might be to launch an advertising campaign to persuade customers to buy stamps outside post offices.

Moët and Vuitton, a suitable case for merger

By Paul Betts in Paris

MOËT-HENNESSY, the leading French champagne and cognac group, and Louis Vuitton, the luggage manufacturer which also owns the Veuve Clicqout champagne concern, agreed to merge yesterday to form one of the world's largest groups specialised in luxury products.

The merged company, with products ranging from wines and spirits to perfume and leather goods, will have an initial bourse capitalisation of about FFr 25bn ($4.1bn), annual sales of about FFr 13bn and net profits of more than FFr 1.3bn this year.

The merger will consist of a share exchange on the basis of 2.4 Vuitton shares for one Moët-Hennessy share.

A holding company grouping the two companies' assets will be formed called LVMH (Louis Vuitton Moët-Hennessy). Mr Alain Chevalier, the present head of the champagne and cognac group, will become chairman with Mr Henry Racamier, the chairman of Vuitton, becoming executive vice president.

However, the two partners intend to maintain the autonomy of the businesses being merged. The holding company will thus control three operating companies: the Moët-Hennessy drinks and spirits business, the Louis Vuitton businesses, including Veuve Clicquot and Givenchy perfumes, and a third group centred on Moët-Hennessy's Dior perfume business.

Mr Chevalier and Mr Racamier said that the Louis Vuitton operating company would be quoted on the bourse with 10 per cent outside shareholders. Eventually the two other main operating groups could also be introduced to the market.

Mr Racamier said that as a result of the merger Vuitton shares would no longer be listed on the New York over-the-counter market. At the same time, the merger also meant that Vuitton would be unable to go ahead with a planned scrip issue announced by the company before the merger negotiations.

Mr Chevalier said the two groups started discussing merger proposals only recently. The Paribas banking group is understood to have sparked off talks between the two companies about 10 weeks ago.

The merger will enable Moët-Hennessy and Vuitton to

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Champagne flows, Page 21; Lex, Page 20; Guinness deal, Page 27

Mrs Thatcher and followers on the campaign trail yesterday

Italian anger at Thatcher snub

BY JOHN WYLES IN ROME

BEHIND the smiles of greeting when Mrs Margaret Thatcher, the British Prime Minister, arrives at the Venice summit next week will lie seething Italian resentment at what is seen to be her highly undiplomatic behaviour.

In a country so political that even a church fête can be regarded as a party rally, there is no quarrel that the domestic election campaign should allow Mrs Thatcher less than 24 hours for the seven-nation meeting, nor that she should desire to mine the occasion for electoral advantage back home.

However, this should not be at the expense of the diplomatic niceties, say the Italians, and the charge of insensitivity against Mrs Thatcher is now rattling as much around the "palazzi" of Rome as the hustings of Britain.

Italian noses were first put out of joint a fortnight ago, when the Conservative campaign was struggling for lift-off. Then, Mrs Thatcher informed Rome that she could not find a couple of hours to discuss the summit agenda in London with Mr Amintore Fanfani, the 79-year-old caretaker Prime Minister, who has visited all the other summit capitals, including Washington and Tokyo, in the last three weeks.

Mrs Thatcher's refusal to see her Italian counterpart prompted some discussion as to whether Mr Fanfani should receive Sir Robert Armstrong, the British Cabinet secretary, who was sent to Rome on Tuesday for the conversation Mrs Thatcher was too busy to have.

One protocol gaffe looks likely to follow another, however. According to Italian schedules, Mrs Thatcher will arrive on Monday evening one hour after the other participants have been formally welcomed by Mr Fanfani. The Italian Prime Minister will have to greet Sir Geoffrey Howe, the British Foreign Secretary.

Again, the question is being asked in Rome, does Mrs Thatcher's political future hang on one hour's extra campaigning?

By the following lunchtime, Mrs Thatcher will have left, participating only in the Tuesday morning heads of government session after an early breakfast meeting with President Ronald Reagan. British interests will then be entrusted to Sir Geoffrey's safe pair of hands.

It is not clear, however, whether he will be able to fight for those interests at the one occasion that often matters – the final summit lunch when the leaders try to digest both a culinary delight and the final communique. As a foreign minister, he may not be allowed in to argue the British case.

Brussels seeks growth, Page 2

UK Tories confidence jolted by forecast

BY PETER RIDDELL, POLITICAL EDITOR, IN LONDON

THE British Conservatives enter the final week of the election campaign ahead in the opinion polls but facing a strong drive by Labour and the SDP/Liberal Alliance in key marginal seats.

The Tories' confidence was last night jolted by a Gallup poll for the Daily Telegraph indicating only a narrow overall majority of 14. The survey, conducted on Tuesday and yesterday, puts the Conservatives on 40.5 per cent, against 36.5 per cent for Labour and 21.5 per cent for the Alliance.

Compared with a week ago this represents a four point Tory drop, with Labour up a point and the Alliance three points above its lowest rating of the campaign. The significance of the Gallup survey is that the sample size of 2,553 people is more than twice the size of most polls.

This follows a survey of 60 marginals for a television programme on Tuesday evening which also suggested a much closer contest than previous polls.

All this has raised the possibility of a hung parliament, with no party

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Election news, Pages 12 and 13

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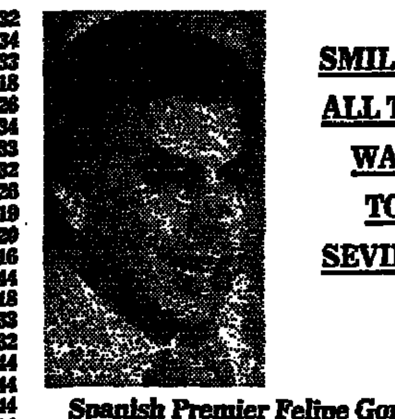

SMILING ALL THE WAY TO SEVILLE

Spanish Premier Felipe Gonzalez: facing a few poll upsets but little real danger, Page 3

Moves to patch up rift in Chirac's cabinet

BY DAVID HOUSEGO IN PARIS

INTENSE efforts were under way yesterday to save Mr Jacques Chirac's coalition government from the damage that could be caused by the resignation of one or more of his ministers.

In an effort to reinforce discipline in his cabinet, Mr Chirac on Tuesday called on Mr Francois Leotard, the Culture Minister and leader of the free market Parti Republicain, to choose between his responsibilities as minister and party leader. Mr Leotard, implicitly threatening his resignation, said he would give his reply on Saturday at his party's congress.

Mr Leotard yesterday came under divergent pressure during meetings with senior colleagues that ran on throughout the day. But the weight of sentiment appeared to be towards avoiding a resignation that would provoke a crisis in the government to the benefit of President Francois Mitterrand or the extremist National Front's leader, Mr Jean-Marie Le Pen.

At the root of the quarrel is a conflict between a Prime Minister seeking to reassert his authority over his cabinet and a party leader anxious to maintain his independence of movement in advance of next May's presidential election. Mr Leotard is a potential candidate if Mr Chirac or Mr Raymond Barre, the former Prime Minister, dip in the opinion polls.

Mr Andre Giraud, the Defence Minister and a member of the Parti Republicain made clear that he thought a peaceful solution should be found and was not prepared to resign himself. Other leaders within the centrist UDF—the federation of parties of which the Parti Republicain is a member—also spoke out against resignation while supporting Mr Leotard's right to put his own views.

Against this, Mr Leotard appears to have received some support from younger ministers concerned about Mr Chirac's steamroller tactics towards his colleagues and other parties in the coalition. Le Monde newspaper reported yesterday that both Mr Alain Juppe, the Budget Minister, and Mr Robert Pandraud, the Security Minister, had made resignation threats over the weekend.

In deciding what line to take, Mr Leotard's problem is that if he is seen to publicly to cave in to Mr Chirac, he risks damaging his standing in the party and his chances as a presidential candidate. The choices before him are either to resign on his own, to resign with his colleagues in the party such as Mr Alain Madelin, the Industry Minister, or to stay on in the Government while maintaining his independence as party leader.

Cypriot talks bid 'at deadlock'

BY OUR UNITED NATIONS CORRESPONDENT

THE UN Secretary General, Mr Javier Perez de Cuellar, admitted yesterday that a deadlock had been reached in attempts to resume negotiations between leaders of the Ethnic Greek and Turkish communities in Cyprus and that the military build-up was cause for concern.

He recommended that the UN buffer force in the island, whose biggest contingent is from Britain, be retained for another six months. Numbering about 2,300 troops, the force has been in Cyprus since 1964, following a bitter civil war between the communities.

In his written report to the Security Council, Mr Perez de Cuellar spoke of his unsuccessful efforts to make progress through negotiations on agreements reached in 1977 and 1979 between the two sides.

He said each side offered different reasons for refusing to resume talks, adding "We are thus at an impasse."

While he was not able to impose anything on either side, he said, he could not allow his peace mission to become frozen. Noting that the Greek Cypriot side pressed him to propose an international conference on the Cyprus Question, Mr de Cuellar said the Turkish Cypriots and Turkey rejected this and the Security Council was divided on the matter.

Portugal draws more investment

By Our Lisbon Correspondent

DIRECT FOREIGN investment in Portugal increased by 83 per cent in the first four months of this year to Es 12.8bn (£55m) compared with the same period last year, the Foreign Investment Institute said.

Britain topped the list of EC investors with Es 4.3bn, followed by Spain with Es 2.8bn and West Germany with Es 1.2bn.

Investment from Efta nations, however, dropped to Es 1.69bn from Es 2.6bn in the same period in 1986, and US investment decreased by about 50 per cent to Es 352m from Es 892m.

Investment projects during this period totalled 298, up from 151 last year. Again, EC countries led the way with 224 projects compared with 110 last year, while Efta projects increased to 34 from 26. The US had 13 projects, one less than the previous year.

The Investment Institute said the big rise was partially due to increases in the capital stock of such companies as Caima Cellulose and Renault Portuguesa.

Foreign investment in creating new companies jumped from Es 785m to Es 3.1bn in the four-month period, Es 304m of which went to opening company branches. Investment in those companies already operating in Portugal increased by 65 per cent to Es 6.8bn, compared to last year's first four month figure of Es 4.1bn.

THE VENICE SUMMIT

Brussels seeks growth commitment

BY QUENTIN PEEL IN BRUSSELS

THE European Commission has drafted proposals for a co-ordinated EC position at next week's Venice economic summit, including a commitment to a concerted economic growth strategy, and some degree of surveillance to stabilise international exchange rates.

The plans also cover new action to help sub-Saharan African debtors, to complement the more generous rescheduling terms already agreed by the Paris Club of creditor nations.

Mr Jacques Delors, the Commission president, yesterday spelt out his own personal commitment to the ambition of a much more co-ordinated international growth strategy to counter the present slowdown in world trade, and to the aim of closer surveillance of economic targets among the Group of Seven industrialised nations.

He admitted, however, that if the Community fails to adopt a common position—and both West Germany and the UK are reported still to oppose close surveillance—he would not be able to press his own views at the summit.

The Commission's proposals would place the ambition of faster economic growth, meaning a faster expansion of internal demand than total gross national product in Europe, in a global context. That would remove the obvious identification of West Germany as the one EC country expected to do the most.

Mr Delors said his aim was to get a common line amongst the EC participants in the Group of Seven — Britain, France, Italy and West Germany—for the first time, in spite of their reported differences on both growth measures and surveillance.

The Commission's proposals will be discussed today at the top-level meeting of national ambassadors in Brussels, but last night there was some doubt at the chances of reaching agreement at such short notice.

The paper on help for sub-Saharan Africa does contain some specific new ideas on mobilising more cash from the present and previous Lome Conventions to provide balance of payments or debt relief. Even additional aid in hundreds of millions of ecus, rather than billions, could make a big difference to the worst-hit African nations, officials say.

Baker keeps expectations low for major economic initiative

BY PHILIP STEPHENS, ECONOMICS CORRESPONDENT

Baker: caution.

MR JAMES BAKER, the US Treasury Secretary, yesterday cautioned against expectations of any major economic initiative at next week's world economic summit in Venice, but added that he expected the summit to endorse the seven governments' commitment to currency stability and to closer economic co-operation.

In a satellite news conference from Washington, Mr Baker said that the seven were agreed that any further decline in the dollar's value "could be counterproductive." He declined, however, to comment on whether the US felt that the present value of the dollar was "appropriate."

Mr Baker said that he expected the heads of state and government at the summit to re-affirm pledges to promote more balanced growth made by finance ministers and central bankers at their meetings in Paris and Washington earlier this year.

In that context he welcomed the Japanese Government's announcement of a Y6 trillion (£25bn) package of expansionary measures and said that West Germany was also moving in the right direction.

His remarks about West Germany in particular were noticeably conciliatory and contrasted with the private criticism of the Bonn Government by senior officials in Washington over recent weeks. The growth rate of the West German economy has continued to slow since the Paris accord but Mr Gerhard Stoltenberg, the Finance Minister, has refused to take action to stimulate the economy.

Governments are anxious, however, to avoid any public row at the summit, which would threaten the recent relative calm on financial markets. Mr Baker said that he expected the heads of state and government to endorse the Finance Minister's agreement to strengthen joint surveillance of their economies through the use of indicators of economic policy and performance.

The US Treasury also sought to play down the significance of Mr Paul Volcker's decision to stand down as chairman of the US Federal Reserve. His successor, Dr Alan Greenspan, was not expected to seek any significant shift in the conduct of monetary policy.

West German employment trend fails to improve

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY'S unemployment total fell again in May, but the improvement stemmed from a delayed revival in activity after the winter and not from an improvement in the job market, the Federal Labour Office said.

The number of people out of work came down by 117,200 last month to 2.1m, or 8.3 per cent of the country's labour force. In April, the jobless rate was 8.8 per cent and in March nearly 10 per cent.

With estimates of economic growth for 1987 now scaled down to less than 2 per cent, the chances of deep inroads being made into the jobless total have been put back for some years, according to some experts and forecasters.

Yesterday, Mr Heinrich Franke, president of the Federal Labour Office in Nuremberg, said there was no indication of a real improvement in the labour market, which was currently stagnating.

The Trade Union Federation said the trend on the job market showed that "the weak upward trend of past years has come to a definite standstill." Last year the economy grew by a real 2.4 per cent.

In advance of next week's Venice summit, the Government has made clear that it is not planning any further economic stimulatory measures. Mr Martin Bangemann, Economics Minister, reaffirmed in Bonn yesterday that it did not intend to take the growth-boosting action that had characterised the 1970s.

"Experience has shown us that at the end, it is not more growth and employment that occur, but more unemployment, more inflation, and higher state indebtedness," he added.

"In a long-term study of the economy, Westdeutsche Landesbank said that average real growth of some 2.2 per cent in Germany over the next five years would create up to 1m jobs. But unemployment would only fall by about 450,000 people, with productivity continuing to rise.

For 1987, the bank expected unemployment to show only a marginal drop, though around 160,000 jobs would be created.

Norway banks penalised for breaking loan ceilings

BY KAREN FOSSLI IN OSLO

NORWAY'S central bank has demanded NKr 105m (£9.5m) in penalty payments from 12 of the country's banks for exceeding Government-imposed domestic loan ceilings.

It says that discrepancies were discovered in its audit of lending figures reported by the banks for last autumn. While it lays the blame on brokers who handled loan sales transactions between banks, the banks, nevertheless, are responsible for overseeing the brokers' activities.

According to the central bank, brokers handling the sales of loans gave different information to loan purchasers than that reported to them by the loan sellers. These discrepancies, totalling some NKr 7bn-NKr 9bn monthly, were turned up by the audit.

Last July, for example, the banks reported loan transactions NKr 7bn lower than the figure discovered by the central bank. In August the figure was NKr 8bn lower, and in September NKr 9.1bn.

Christiana Bank, Norway's second largest, has been penalised the most severely and will have to pay NKr 50.1m to the central bank. The savings bank ABC must pay NKr 20.3m Bergen Bank NKr 14.3m and Den norske Creditbank NKr 5.7m.

The penalties have been imposed at a time when banks in Norway are either raising their interest rates on new loans or curbing new loan funding.

Mr Gunnar Berge, the Finance Minister, and Mr Hermod Skaanland, the head of the central bank, were called before parliament's special finance committee yesterday to clarify the situation. The committee claims that the decision to raise interest rates breaks with the policy of the newly revised national budget and that the banks have overshot the budget's proposed lending target of NKr 19bn.

If the overshoot is less than 8 per cent of the loan ceiling the banks will face a 15 per cent penalty; if above, the penalty will be 25 per cent of the excess.

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Moscow newspaper says Rust flight carefully planned

BY PATRICK COCKBURN IN MOSCOW

THE FLIGHT of Mr Mathias Rust, the 19-year-old West German pilot who landed his light aircraft in Red Square last week was carefully planned and could not be dismissed as a joke, according to a senior Soviet commentator.

Mr Yegor Yakovlev, editor of the radical weekly Moscow news which yesterday published the first photograph of the aircraft in a Soviet newspaper, said: "The public will learn later that the flight had been worked out with maps and mock-ups back in Hamburg. The best ways of crossing the Soviet border had also been examined and the aircraft lightened in order to equip it with additional fuel tanks."

The article suggests the authorities have not made up their mind about how to treat Mr Rust, but the dismissal of two senior Soviet generals, including the Defence Minister, for failing to intercept him makes it difficult for the Kremlin to treat the incident as a student jape.

Soviet reaction to the failure of its air defence forces to prevent Mr Rust's flight across the Soviet Union was a test case of the accountability of senior officials for their mistakes, Mr Yakovlev argues.

He praises the politburo for acting quickly and openly against lack of discipline, carelessness and poor organisation, and says that this gives the lie to "our political opponents who still believe that glasnost (openness) is only a holiday treat in the USSR."

Attacking the sensation treatment of the affair by the Western press, Mr Yakovlev writes that a country's skies are not a place for jokes. "Just think of it if the event took place in Washington and not in Moscow," he says. "What would happen if a light sports plane with Soviet identification marks landed on a lawn in front of the White House?"

● The Soviet Supreme Court has sentenced to death by firing squad Mr Abduvakhid Karimov, the former Communist party leader in Bokhara, in the Central Asian Republic of Uzbekistan, who had been found guilty of corruption. He is one of the most senior party leaders to receive a death sentence for many years.

Glasnost provides opening for Russian chauvinism

BY OUR MOSCOW CORRESPONDENT

ONE RESULT of increased freedom of expression in the Soviet Union over the past year is the growth of an organisation called Pamyat (Memory) whose philosophy is a bizarre mixture of environmentalism, Russian chauvinism and anti-Semitism.

Pamyat first attracted attention here last month when 400 of its members staged a march to Moscow City Soviet (council). The demonstrators complained of the destruction of historic buildings in the capital and the bulldozing of a famous hill where Napoleon is reputed to have waited in vain for the surrender of the city in 1812.

Unauthorised public demonstrations which the police allow to continue are almost unheard of in the Soviet Union and, equally surprising, the marchers succeeded in their demand to see and explain their grievances to Mr Boris Yeltsin, the Communist party leader for Moscow and a non-voting member of the Politburo.

But a politically significant result of the demonstration has been strong Press attacks on Pamyat for anti-Semitism and Russian chauvinism — trends which the official media has largely ignored in the past or denied existed.

Pamyat originated as a cultural organisation set up under the auspices of the Aviation Industry Ministry by people wishing to preserve historic monuments in Moscow. It attracted large audiences to its lectures, which increasingly took on a political complexion.

The flavour of Pamyat's politics is given by Mr Anatolii Golovkov and Mr Alexei Pavlov, journalists on the weekly Ogonyok, who attended one of the organisation's meetings. They say the large hall was packed, although the meeting was unpublicised.

The first speaker warned the audience to beware of the sinister power of the enemy, later defined as "Zionists and masons," and claimed that a Pamyat member had been beaten up in Gorki Street in Central Moscow, but the police had refused to intervene.

The star speaker of the evening, however, was Mr D. D. Vasiliev, an artistic photographer, who described himself as a non-party Bolshevik. He spoke for three hours during which he claimed "Masons and Zionism in our country are directing their attack at the Russian people and our homeland."

Loyalty to Russian Orthodox religious tradition is a strong element in Pamyat's beliefs. "If one looks at the calendar, it seems that our country was either in the ice age or was virgin land before 1917," says one of its leaders.

The Ogonyok journalists believe Pamyat in many ways resembles the "Black Hundreds," anti-semitic groups established at the start of the century by the Tsarist government which carried out pogroms against Jews.

The existence of such an organisation is a real test for the reorganisation of Soviet society, says Ogonyok. "Should one, in the name of Glasnost and democracy, provide a stage for incitement, lies and dangerous social demagogy?"

Odds on Honecker visit shorten

By David Marsh in Bonn

Prospects have revived for a visit to West Germany later this year by Mr Erich Honecker, the East German leader, following clear signs that both Bonn and East Berlin would welcome a further thaw in relations.

However, whether the long-delayed trip takes place will depend very much on the general East-West climate during the run-up to the much more important summit possible later this year between President Ronald Reagan and Mr Mikhail Gorbachev.

Mr Honecker, who would be the first East German leader to visit West Germany, said this week that a trip to the Federal Republic this year was "very probable." A visit by Mr Honecker, who wants both to visit his Saarland birthplace and also to press home on West German soil East Germany's credentials as an independent state, was originally planned for September 1984. It was shelved after pressure from the Soviet Union.

No concrete plans have been laid since then, despite frequent speculation on the subject in the West German media over the past two years.

Chancellor Helmut Kohl's government is anxious to build more links with the eastern part of the divided nation in spite of its public line of unremitting opposition to the Communist leadership. Bonn would welcome a visit by Mr Honecker this year, said Mr Friedhelm Ost, the government spokesman, yesterday. He stressed, however, that no date was discussed so far.

Much will depend on whether Moscow believes the Soviet Union has anything to gain from extending East-West German links. Given the present strong trend in West German public opinion in favour of nuclear disarmament, the Soviet Union could well decide that its long-term efforts to weaken West Germany's bonds with Nato could be furthered by a stressing of East-West German "togetherness."

Moscow, meanwhile, has kept up an attack on Bonn's insistence on keeping its Pershing 1A nuclear-tipped missiles outside the prospective superpower accord to dismantled intermediate missides (INF) in Europe.

Tass, the Soviet news agency, yesterday said Bonn's latest attitudes on disarmament "could not be called constructive." This was in spite of the coalition's decition on Monday in favour of the double-zero option to dismantle intermediate-range missiles in Europe.

Isvestia, the government newspaper, criticised the Pershing 1A decision and labelled the conservative partners in the Bonn coalition as "missile parties."

● From left to right: Manuel Fraga, former leader of the Popular Alliance and a dominant figure on the Spanish right, now standing for the European Parliament; Felipe Gonzalez, Prime Minister, criticised for standing aloof and now using fireside chat-style television interviews to restore his image; Antonio Hernandez Mancha, new leader of the Popular Alliance which is suffering a decline in popularity; and Jose Maria Ruiz-Mateos, standing for the European Parliament, a former business magnate who lost his empire when the Socialists came to power and now head of the Social Action party.

Conflicts fail to dent Gonzalez optimism

David White reports on the prospects for three election rounds in Spain

NO SOONER had Spain's governing Socialist Party hung Madrid's lamposts with new sets of posters with its new campaign slogan of "things done well," than the right-wing daily ABC published photographs of two of them with the wording upside down.

To the casual observer, the Socialist motto for the triple elections being held on June 10 —for town halls, most regional assemblies and the European Parliament—might seem excessively smug considering that the news from Spain this year has been dominated by strikes, transport chaos and violent labour clashes. But, for all the trade union protests, the Socialists still seem to have grounds for self-satisfaction when it comes to votes.

Almost five years after coming to power, Mr Felipe Gonzalez's Socialist Party (PSOE) faces the prospect of some local upsets and could even lose its majority in Mr Gonzalez's home town of Seville. But it expects to lose no more than a couple of points overall compared with its 44 per cent vote in last summer's general election, when the government won its second term.

A slight drop would be enough to create problems for some outgoing regional governments, but the PSOE has some way to fall before losing its dominant position. Of the 13 regions up for election, the PSOE runs 11, and in all of these—with the possible exception of Castile-Leon—it can probably expect to continue being at least the leading party.

The coalition of right-wing parties which formed the main opposition in the general election has since broken up. The main element, Popular Alliance (AP), campaigning under a slogan of "new times," is trying to sell a rejuvenated image to match its perky 36 year-old new leader, Mr Antonio Hernandez Mancha. But he will be doing well if he brakes the decline. The parties that split from it are hardly better off. The Christian Democrat PDP, finding going it alone much tougher than it thought, is fighting the elections with an empty purse and without its leader, Mr Oscar Alzaga, who resigned just as the official campaign period began.

In general the threat to PSOE voting support comes more from the Adolfo Suarez revival —the former prime minister's Democratic and Social Centre (CDS) Party, which flummoxes the Socialists by fighting both to their left and to their right—and to a lesser and more local degree from the Communists in their new guise as United Left.

The fortunes of these and certain local parties provide the main interest in the contest. Otherwise, apart from the resurgence of Basque terrorist activity which always comes at election time, there is surprisingly little to distract the country from its bullfight series and the final stages of the football league championship.

The season of labour unrest, more spectacular and persistent than Spain has seen for at least eight years, appears to be dying out without notable damage to the Government's electoral position. Pay disputes ranging from banks, where a strike was called yesterday for June 19, to bingo-halls, still go on but settlements have by now been reached in most sectors, from public transport to the shoe industry.

A family quarrel between the PSOE and the UGT, the Socialist trade union body, has certainly left its mark. The taunt made by the UGT's Mr Nicolas Redondo in a television debate with Economy Minister Mr Carlos Solchaga — "Your problem, Carlos, is the workers" —was the political equivalent of a punch in the kidneys. The policy divide remains, but the union and the Government are now back on speaking terms and the UGT is still recommending its supporters—albeit in rather muted terms—to vote Socialist.

In the absence of a framework wage pact to replace Spain's previous two-year agreement, the pay disputes have resulted in settlements higher than the official 5 per cent inflation target. But the Government is sticking to its objective, supported in its optimism by a recent slowdown in cost-of-living figures.

According to the CEOE employers' federation, wage agreements up to the end of April, covering 3.5m workers, provided for average increases of just under 6 per cent, including agreements carried over from last year, or just over 6 per cent, counting new agreements only. This compares with more than 8 per cent in 1986.

Mr Gonzalez, criticised for remaining aloof, has made a clear effort to restore the image of personal authority and has started using fireside-chat-style television interviews to explain economic policy.

In the midst of local battles, the Government is looking to the European Parliament contest, in which Spain's 60 interim Euro-MPs are to be replaced by elected members, as the real measure of voter support. Big names head up party lists for the European ballot. The PSOE is fielding popular ex-foreign minister Mr Fernando Moran and AP, contradicting somewhat its "new times" message, is wheeling out its former leader Mr Manuel Fraga, cruelly described by one rival as a "political dinosaur" but still the biggest figure on the Spanish right.

The rest of the field ranges from Basque extremists allied with part of the far-left to Mr Blas Pinar, the unsuccessful but unflagging far-right leader. According to a poll published last month Mr Pinar's National Front stands less chance of getting a seat than a new party called Social Action, headed by none other than Mr Jose Maria Ruiz-Mateos, the former business magnate who lost his empire when the Socialists came to power. Ever since the authorities extradited him from West Germany two years ago, he has been talking about getting his own back.

OVERSEAS NEWS

Zairean volunteers to test French anti-AIDS vaccine

A FRENCH scientist who inoculated himself least year with an experimental vaccine to combat AIDS is hoping soon to start large-scale tests on volunteers in Zaire, Reuter reports from Washington.

The Zaire tests would be the first large-scale human tests and would be followed later this year by initial human testing on small trial groups in the US, scientists said.

French scientist Daniel Zagury said it was too early to reach conclusions about his experiment in which he inoculated himself, another French researcher and 20 Zairean volunteers – "but up to now no untoward effects have been recorded," he said.

"Althougth we are reasonably hopeful, we do not want to raise any false hopes," he said in a statement after his report to the Third International Conference on AIDS.

More than 7,000 researchers and public health officials, a record number, are at the conference to explore new developments in fighting AIDS – Acquired Immune Deficiency Syndrome – which attacks the body's ability to fight disease.

Dr Zagury's presentation was expected to be a highlight of the conference, which has been marked by cautious optimism about research, but it turned into a fiasco.

The researcher refused to join other prominent scientists at a news conference for nearly 800 reporters after the lecture.

Mr Dani Bolognesi, a prominent AIDS researcher at Duke University in North Carolina, said Dr Zagury would be followed soon by small-scale initial trials on humans in America.

Mr Bolognesi praised Dr Zagury, saying: "He has produced a broader spectrum of antibodies (against the virus) than before. He is taking a step that has eluded us for some time."

Dr Zagury's lecture was well received by the scientists. But they warned against concluding that he had found the right vaccine to fight AIDS, which has claimed more than 100,000 victims worldwide and threatens millions more.

Dr Zagury said members of his experiment received booster shots. "But we are now looking for appropriate practical compounds to be used" in his planned large-scale tests.

"We are progressing in small steps and in collaboration with other groups," he said.

In co-operation with the Zaire authorities, he said, they had located a sub-group of healthy individuals who would be called upon as volunteers. He did not elaborate.

He also said he intended to test his vaccine on pregnant women, apparently to try to stop AIDS being passed on to their unborn children.

OPPOSITION PARTY ACCUSES PRESIDENT OF TRYING TO EXTEND MILITARY DICTATORSHIP

Seoul ruling party backs Chun's choice

LEADERS of the South Korean ruling party yesterday endorsed President Chun Doo-hwan's choice of his close aide as its candidate for this year's presidential election, a party spokesman said.

He said the central executive committee of the Democratic Justice Party (DJP) unanimously approved Roh Tae-woo, a former ex-general and the party chairman, as Chun's political heir.

Chun is due to stand down next February after seven years in office.

Roh, 54, will be officially announced as DJP candidate at a party convention next Wednesday, the spokesman said.

He said there were no other contenders after Chun last night named Roh, his military academy classmate.

As a divisional commander in 1979, Roh moved his troops to Seoul during a military takeover which brought Chun to power. He has since been regarded as the President's chief lieutenant.

The major opposition Reunification Democratic Party (RDP), led by dissidents Kim Young-sam and Kim Dae-jung, reaffirmed a boycott of the "undemocratic" presidential polling, expected in December.

It said it would fight what it called Chun's attempt to extend military dictatorship.

RDP president Kim Young-sam told reporters yesterday that his party did not approve of the ruling camp's "unilateral political schedule" which denied direct presidential elections.

He repeated demands that Chun revoke his April decision to postpone constitutional reforms until after the Seoul Olympics and said the ruling party should scrap its convention.

The opposition plans nationwide anti-government rallies that day.

Under Chun's 1980 constitution, the President is chosen by an electoral college of some 5,000 directly-elected deputies.

State prosecutors said yesterday they had released three RDP members after questioning them about their role in drafting the party's charter.

Prosecutors see the charter as violating the stern National Security Law by allegedly allowing for pro-Communist sympathies.

The three, including a close associate of Kim Dae-jung, were detained on Tuesday after refusing to comply with a prosecution summons.

Kim Dae-jung, a former presidential candidate, has been under indefinite house arrest since April 10.

Reuter

Zhao plays down leadership rumours

BY ROBERT THOMSON IN PEKING

THE CHINESE Premier Zhao Ziyang, who is also acting Communist Party chief, yesterday played down expectations that he would be formally chosen this autumn to head the 44m-strong party.

At a rare Press conference before departing on an East European tour, Zhao said it would be "more suitable" for him to remain as premier, but stressed that the Central Committee appointed at the autumn party congress will make the final decision.

Some diplomats suggested that Zhao was just being coy, while others said his remarks reflect the conflict within the party at present and show that the reformers and conservatives are yet to agree on appointments to senior posts.

Asked if the present campaign against Western liberalism could run out of control during his absence, Zhao, who has repeatedly attempted to crush the conservative drive against the reform programme, said he had "no worries," though he conceded that the campaign has gone further than planned.

Zhao's visit to Eastern Europe will be the first by a Chinese leader since China and the Soviet bloc fell out in the early 1960s, and is a sign of the recent significant improvement in relations with those countries.

He will take in Poland, East Germany, Czechoslovakia, Hungary and Bulgaria, and will stop-over in Pakistan, where the tension on the Sino-Indian border will certainly be discussed. East European leaders are likely to ask Zhao why improved relations are to be accompanied by a fall in bilateral trade this year.

China's trade with the Eastern Bloc was valued at $2.9bn last year, but is forecast at $2.7bn this year, with the fall apparently due to China's shortage of foreign exchange

The forest fires in north-east China which have killed nearly 200 people in the past month have been put out by rain over the entire area in the past 24 hours, according to Peking Radio, Reuter reports from Peking.

Fires in the Inner Mongolia region, west of the worst-affected region, had been brought under control, the *New China News Agency* yesterday reported.

Half million mourn Karami

By Nora Boustany in Tripoli

IN AN uncontrolled show of emotion, half a million people crammed the boulevards and alleys of the northern port of Tripoli yesterday to catch a last glimpse of Lebanon's assassinated Prime Minister before he was lowered onto a bed of jasmin flowers scattered in his grave.

"Krashid Karami has made an orphan of Tripoli," sobbed Hilmiyyeh Mogharbel, an old woman stooped over a cane. Chanting allahu akbar, "God is great," tearful crowds jostled and shoved as Mr Karami's coffin, draped in the Lebanese flag and decked with white gardenias and red carnations was placed on a gun carriage. The Prime Minister was killed when an explosion gutted a helicopter carrying him from Tripoli to Beirut.

Their faces pale and contorted with grief, Mr Karami's brothers and nephews collapsed when his cloaked body was lifted from the casket according to Moslem tradition.

Black-clad women waved their white handkerchiefs from balconies as the body filed past their homes. Soothing koranic verses flowed through the ancient port city and church bells rang out from Tripoli's Christian quarter as the somewhat disorderly procession headed for the al Mansouri mosque in the old seafront Mina neighbourhood.

Sorrowful moaning gave way to clapping and cheering when Mr Selim al Hoss, the newly appointed acting Prime Minister, arrived at the Karami ancestral palace. Mr Hoss, an asthmatic, later fainted at the mosque during midday prayers.

Steel-helmeted Syrian soldiers with bayonets fixed in their machineguns and Lebanese troops lined the streets leading to the public cemetery, where Mr Karami's body was finally laid to rest.

Syrian vice-president Abdel Halim Khadam warned on Tuesday evening that the "criminal hand of the killers shall be severed" and threatened that they will be "dealt a painful and harsh punishment that will be more horrific than the crime they committed."

Throngs of people gathered in silence outside the ancestral Karami palace, where men offered condolences. Mr Walid Jumblat, the Druze leader, arrived at the head of a 500-man delegation of Druze followers and clerics chanting death hymns and folkloric refrains.

UK seeks help over Tehran

By Robert Mauthner, Diplomatic Correspondent

BRITAIN has contacted friendly countries in Europe and the Middle East, as well as the Soviet Union and China to help solve the affair of the British diplomat abduted in Tehran last week.

Mr Edward Chaplin, First Secretary of the British Interests Section in Iran was allegedly beaten up by Iranian Revolutionary Guards before being released.

The British Government has described the charges levelled against Mr Chaplin by the Iranian authorities as absurd and has demanded an explanation and apology from Tehran.

S. Korea releases 'censored' journalists

A SEOUL court yesterday convicted three journalists for accusing the Government of systematically censoring South Korean media, but the judge suspended their sentences and they walked free after five months of detention, Reuter reports from Seoul.

Judge Park Tae-bom found the three guilty of revealing diplomatic secrets which could further the propaganda efforts of communist North Korea. But he ruled that there were mitigating circumstances in what he called the defendants' efforts to avoid endangering national security.

He passed a suspended 18-month sentence on Kim Tae-hong, 44, a former president of the Korea Journalists' Association; an eight-month suspended term on Kim Ju-on, 32, a copy editor with the Hankook Ilbo daily; and deferred sentence on Shin Hong-bum, 45, a former reporter.

The prosecution had sought three-year jail terms for all three for alleged breaches of the draconian National Security Law. The defendants pleaded not guilty, saying their actions should be regarded as normal activity by intellectuals.

The trial stemmed from the publication last September in the dissident magazine Mal (Words) of what the defendants said were Information Ministry "guidelines" to the South Korean press.

Mal, published by the Council for Democratic Press Movement, said these "guidelines," telephoned to newsrooms almost daily over a period of one year, told editors how to handle politically sensitive news.

The ministry denies it ever issued orders, saying officials only made requests for co-operation. Defence witnesses argued in court that these had the effect of orders, given the tough penalties provided for anyone contravening the Government's press laws.

While some of the published instructions dealt with North Korean topics, others involved playing down or simply not mentioning the activities of top dissident Kim Dae-jung and other opposition figures campaigning for free elections. Comparisons between the situation in South Korea and that in the Philippines at the time President Ferdinand Marcos was ousted in early 1986 were also banned.

The prosecution argued that by publishing the instructions the three had slandered the state.

● President Chun Doo-hwan yesterday renewed a proposal for a summit meeting with Kim Il Sung, North Korea's leader, and said Seoul was willing to share its economic and other achievements with the North.

Chun made the statement in a speech to the fourth general meeting of the advisory council for the peaceful unification policy, of which he is chairman. The council advises on unification of the Korean peninsula, divided since 1945 into the communist North and anti-communist South.

"Once a meeting of the top authorities of the two Koreas is held, the Republic of (South) Korea is willing to discuss sincerely the matter of sharing with the North our achievements in economy, technology and other fields," Chun said.

Chun said next year's Seoul Olympics would provide "epoch-making momentum" for reconciliation of the Korean people as well as all people in the world irrespective of ideological differences.

Chun first proposed a summit with Kim in 1981 "at any time, at any place."

He has since repeated the call on many occasions, but the North has insisted on other high-level political and military talks aimed at reducing tension between the two sides.

Kabul to extend ceasefire

BY PATRICK COCKBURN IN MOSCOW

THE AFGHAN Government is to extend its six-month ceasefire according to Mr Najibullah, the Afghan leader, in an interview in a Soviet newspaper yesterday.

Mr Najibullah, replying to questions put by the weekly Moscow News, says that the moratorium on combat operations by the Afghan armed forces which started on January 15 would continue.

He admitted the ceasefire had not ended the fighting, but claims that much of the fighting is now between anti-government guerrilla groups and their former allies rather than attacks on army posts.

The ceasefire has been rejected by guerrillas who say they want Soviet forces to depart unconditionally and refuse to negotiate with the Communist government on the grounds that it is a Soviet puppet.

The Afghan Government leader blamed the Pakistani and Iranian Governments for preventing the return of refugees to Afghanistan. He also claimed that several important guerrilla leaders have switched to the Government side.

Soviet policy appears to be to disentangle the Soviet Union as far as possible from Afghanistan but without letting the Government in Kabul collapse. Soviet specialists in Moscow accuse Washington of preventing a compromise solution to the war in the knowledge of the political and military damage it does to the Soviet Union.

WE ASKED DR ROLAND DIETZ WHY AUDI PUT THE BOOT LOCK IN THE REVERSING LIGHT.

HE REPLIED, "DIESE FRAGE KANN NICHT SO EINFACH BEANTWORTET WERDEN." (WELL, HE WOULD SAY THAT.)

YOU HAVE to understand that Dr Dietz is an engineer, a German engineer, an Audi German engineer, no less. Inevitably, there was a certain reassuring thoroughness to his reply.

OF COURSE, we also appreciate that not everyone can afford the enjoyable 40 minutes or so required to digest the intricacies of Audi's galvanisation and painting process. However, by proceeding straight to the last two paragraphs, it is still possible to understand the gist of Dr Dietz's reply.

FOR EVERYONE else, join us on a voyage of discovery, with Dr Dietz at the helm.

"CORROSION IS one of the most common deficiencies in 6-year-old cars, and the most common deficiency in older cars.

"AS A more effective countermeasure against a corrosive environment, Audi have rediscovered a classic corrosion protection system – the use of galvanisation."

DR DIETZ had a way of making this remarkable innovation sound so matter-of-fact.

"WE PARTLY use a hot-dip galvanisation process, because large deep-drawn steel parts become deformed when immersed in a zinc bath at a temperature of approximately 450°C. Only chassis-frames can be galvanised in this way.

"WITH THE normal modern body construction employing a unitized bodyshell, it is necessary to use material that is already pre-galvanised in the rolling mills."

WE WERE impressed.

"THE NEW Audi 80 has a fully galvanised body. Electro-galvanised steel is used for all visible outer parts. The inner sections of the engine hood, deck lid and doors are also electro-galvanised. The thicker parts and all mounting brackets on the bodyshell are given their protective coating by individual electro-galvanising before being installed."

WE WERE beginning to understand why most other manufacturers had still not adopted galvanisation.

"IT HELPS to understand the corrosion process. You see metal is dissolved by oxidation in an electrochemical corrosive reaction."

WE WERE with Dr Dietz, just.

"THE PLACE where such a reaction occurs is called an anode; the process itself is called a partial anodic reaction."

DR DIETZ was now on his own.

"IT IS described in general terms by

$$M_{(lattice)} \longrightarrow M^{z+} + z\cdot e^{-} \quad (1)$$

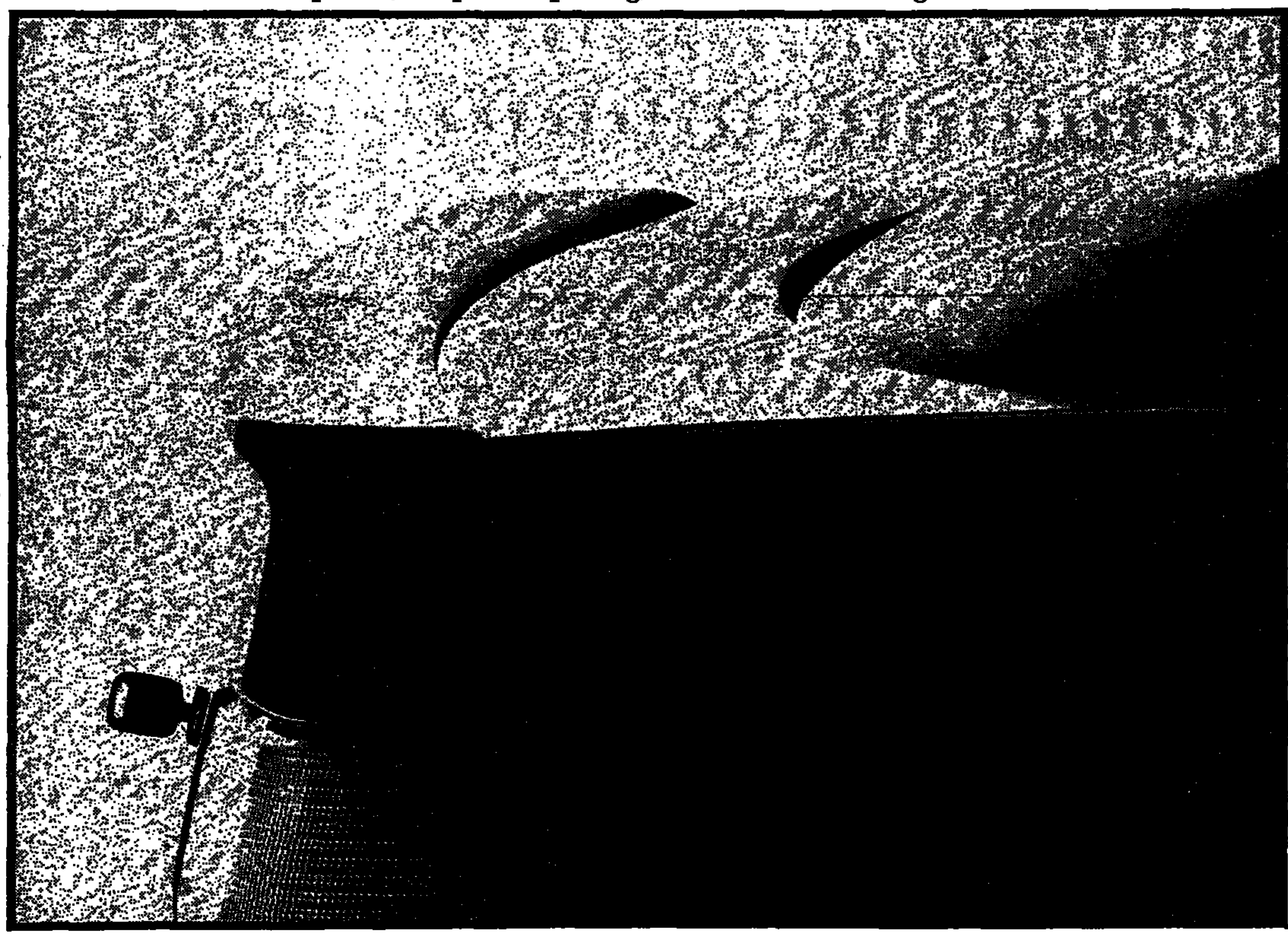
M=ANY METAL z=ION VALENCY

"THE AMOUNT of erosion of material (Δm in grammes) at any given anode is governed by Faraday's law: $\Delta m = \dfrac{Q\cdot M}{|z|\cdot F}$

"THE DEGREE of corrosion protection that can be achieved by galvanising steel is sufficient for many types of application. But in the automotive industry a galvanised sheet steel body can only be one element in a whole range of other anti-corrosion measures."

WE REJOINED Dr Dietz at this point.

"THE COMPLETE car body corrosion protection system used by Audi, in addition to the comprehensive use of galvanised steel consists of the six separate processes. Cleaning and degreasing, spray and immersion phosphate treatment, which is a low-zinc process, cataphoretic priming, PVC weld seam sealing and PVC underseal, filler and top coat, and finally, cavity sealing by wax flooding."



DR DIETZ seemed to glow with pride at the thoroughness of this process.

"THE FIRST five steps correspond to the present state of the art. The last, wax flooding, is a different technique to the normal spray method, whereby the cavities are sprayed with wax carried in a solvent. In the wax flooding process about 400 litres of hot wax at 120°C, at which temperature it has the consistency of water, are pumped into the cavities and then drained off. This method entirely eliminates the risk of any areas being missed due to the spray shadow, and the capillary attraction of the wax is also able to penetrate and seal otherwise inaccessible crevices. The solidified coating of wax that remains on the surfaces of the cavities is about 40 µm thick.

"HOWEVER, ALL the measures comprised in the corrosion protection system can only be used to maximum advantage if they are taken into account in the design of the vehicle."

THERE WAS an almost evangelical fervour in Dr Dietz's voice as he went through the following points.

"SO IT is essential to avoid leaving places where dirt can collect, for instance on horizontal flanges, crevices and open cavities.

"ALL CAVITIES must have water drain points, and no water must be allowed to collect.

"FLANGES EXPOSED to moisture should be accessible for application of sealant, and a shoulder or similar surface to guide the sealing gun along the joint facilitates effective sealing. Flanges should not be located at the lowest points of a panel, as otherwise they will collect water which will penetrate the joint and initiate corrosion.

"THE UNDERSIDE of the floor panel should be smooth: the coating is particularly exposed to stone damage where there are projecting surfaces.

"SUITABLE JOINING methods are spot welding, clinching, hemflanging, adhesive bonding, bolting and riveting.

"THE RISK of contact corrosion should be borne in mind when joining different metals. Decorative mouldings should be secured on an insulating base.

"ADHESIVE BONDING avoids the need for mounting holes in the body, which are also subject to corrosion.

"FOR THE dipbath coating process, the cavities must have sufficiently large openings for the liquid to flow in and out quickly, and to ensure sufficient conductivity for electrophoretic priming. These openings must then be properly sealed.

"WHEN THE cavities are flooded with hot wax (cavity sealing), the wax must not be allowed to drain off in the interior or along external panels.

"AIR POCKETS must also be avoided.

Audi

"FINALLY, BOLT threads must be kept free of wax, because the wax reduces the friction coefficient in the thread from 0.15 to 0.05."

FROM HIS tone, we imagined the engineers of Audi being able to recite these points in their sleep.

"IN CONSEQUENCE, Audi has been manufacturing the Audi 100 since 1985 and the new Audi 80 as of 1986 with fully galvanised bodyshells."

DR DIETZ'S demeanour softened slightly.

"THE CORROSION protection we apply to the new Audi 80 is the most thorough in the world. So, as you can appreciate, when you go to as much trouble as we do to paint and protect the body, we'd hardly want to risk the boot lock key scratching the paint work, would we?"

HOW COULD we disagree?

DER AUDI 80. VORSPRUNG DURCH TECHNIK.

THE NEW AUDI 80 STARTS FROM UNDER £10,000. BROCHURES AND PRICE LISTS FROM AUDI INFORMATION SERVICE, YEOMANS DRIVE, BLAKELANDS, MILTON KEYNES MK14 5AN. TELEPHONE: (0908) 679121. EXPORT AND FLEET SALES, 95 BAKER STREET, LONDON W1M 1FB. TELEPHONE: 01-486 8411.

West 'must not forget the costs of war'

ATLANTIC ALLIANCE leaders must educate their citizens in the terrible lessons of the Second World War so that Western nations will stand strong against Communism, Mr Caspar Weinberger, US Defence Secretary, said last night, Reuter reports from London.

Speaking to the English Speaking Union on the 40 the anniversary of the Marshall Plan, Mr Weinberger said many young US and West European citizens had known only peace and prosperity and tended to be complacent and forgetful in backing needed military spending.

His speech centred on the plan devised by former US Secretary of State George Marshall under which the US contributed $13bn to help rebuild Europe after the devastation of the Second World War.

"The challenge for statesmen now is to stress education, prudence and preparedness – the terrible lessons of history learned at terrible costs," Mr Weinberger said.

A text of his speech, sponsored by the English Speaking Union, an international voluntary organisation founded by an American after the First World War to promote understanding and friendship, was released in advance in Washington.

Mr Weinberger said English-speaking peoples had been extraordinarily lucky to be served by leaders with vision, who emerged in time to save the West from Hitler and other totalitarian threats.

"Our continued survival will depend on whether we will be granted such leadership in the future, and whether we will recognise and follow it in time," he said.

Peter Ford examines Nicaragua's efforts to solve a delicate political problem

Miskito Indians head for autonomy

FEW of the Nicaraguan Sandinista Government's problems have been so internationally embarrassing or so politically delicate as its bitter relations with the Miskito Indians living along the country's Caribbean coast.

But with a new authonomy statute for the area just approved by a regional assembly, Sandinista leaders appear confident that they have left behind the day of massive forced relocations and outright war against the Indians.

The coastal zone, stretching from thick, lowland jungle in the south, through swamps navigable only by river to the pine-studded savannah of the Miskito homeland in the north, covers half of Nicaragua's territory but hold only 10 per cent of the population.

Accessible by road only during the six months dry season, the coast has historically had little in common with the rest of the country. For over a century the area was a British protectorate, and the five ethnic groups living there have never played a significant role in national politics.

They proved especially hostile to heavy-handed Sandinista efforts to revolutionise their way of life, and it was not long before two Indian rebel groups took up arms against the Government, fighting alongside the Contra rebels.

The Sandinistas' initial response was to uproot some 10,000 Miskitos from their traditional homes in 1982 and to herd them into camps. That move prompted another 20,000 Indians to flee into neighbouring Honduras and inspired President Ronald Reagan to trumpet accusations of "genocide" against Managua. It also swelled the rebels' ranks to the point where the coast began to present the Sandinista army with a serious military problem. The crisis, says Mexican anthropologist Mr Hector Diaz-Polanco, forced Managua into a radical rethink of its policy towards the 70,000 Miskitos, the Smu and Rama tribes, and the black "Creole" and Garifuma descendants of African slaves.

"The government experience obliged them to realise that unity and homogeneity are not synonymous," explained Mr Diaz-Polanco, who had studied the area for the past three years. The alternative was war and extermination.

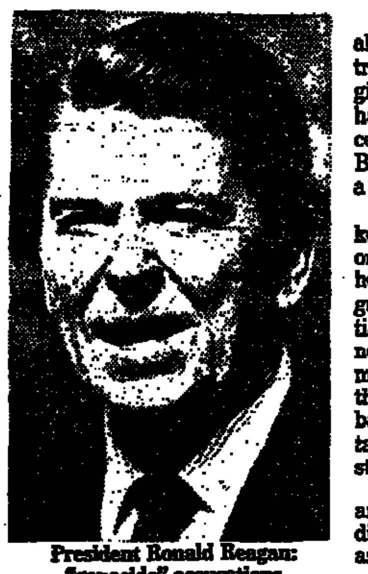
Since late 1984 "autonomy" has been the Sandinistas' watchword on the coast although even 30 months of debate and widespread consultations at community meetings has not made it entirely clear to the ethnic groups concerned exactly what the concept involves.

"This is all very complicated," acknowledged Dr Myrna Cunningham, the Miskito Governor of Northern Zelaya Province, shortly before last month's autonomy conference in this dusty port town.

"We are all talking about autonomy without really understanding what it means, as everyone has their own idea," she added.

Delegates from communities the length and breadth of the Caribbean coast resolved some of that confusion at their assembly last month, approving an autonomy statute that gives their region considerably more self-government than any other part of the country, yet leaves key power in Managua's hands. The law, expected to win final approval from the National Assembly later this year, foresees two elected regional councils for the northern and southern provinces, on the coast, which will each choose a co-ordinator to act as Governor.

These governors will administer health, education and internal trade and will decide on the use of the region's natural resources – principally gold, timber and fisheries – "in accordance with national development plans."



President Ronald Reagan: "genocide" accusations

They will also oversee the investment of special development funds that coastal leaders will be authorised to solicit directly from foreign governments since they will have the power to launch and run short-term economic projects.

To the chagrin of more radical local leaders, however, "strategic" schemes to exploit the coast's wealth will remain in Managua's hands. The draft law offers local inhabitants, an "equitable" share in the profits from such projects but leaves it up to the regional authorities to negotiate with the central Government over just how big a share that will be.

Defence and law and order will also remain the central Government's prerogative, and the autonomy assembly even voted down a modest proposal to ensure that local policemen should be drawn from the region itself.

The Sandinista Government has all along insisted on retaining control over the security forces in a region that remains volatile. "Here we have only one army, one police force, one security service," Mr Tomas Borge, Interior Minister, stressed at a recent press conference.

This was by no means what one key group in the Sandinista's efforts to pacify the coast wanted to hear. "Kisan pro-Paz," a breakaway guerrilla group that has been negotiating with the Government, was noticeably absent from the autonomy debate, and there are reports that its members have been drifting back into the bush in recent days to take up arms against the Sandinistas once more.

But the overwhelming sentiment among the Miskito and other Indians gathered for the autonomy assembly was that they want peace.

While the detailed implications of the new law may have escaped them (translation of the conference proceedings into native languages was dispensed with after a couple of hours as too time-consuming), "people felt that the only chance for peace is autonomy, and they would set aside any differences in favour of this," said Mr Diaz-Polanco.

Although this first indigenous autonomy statute in Latin America is far from perfect, as Mr Borge acknowledged, the actual wording of the law is probably secondary to the political process that the debate has touched on.

"If autonomy works," suggested Mr Charlie Hale, an American who has lived on the coast for two years, "it won't be because there is a strong outstanding law so much as because the process has created expectations among coast people and an awareness of those expectations in the Sandinista Front which is making them come together."

Democrats say Abrams will have to resign

By Lionel Barber

SENIOR Democrats on the House-Senate panel investigating the Iran Contra affair yesterday said that President Reagan's "point man" for Nicaragua, Mr Elliott Abrams, will be forced to resign because he had misled Congress about aid to the Contra rebels.

But Mr Abrams said he still had the support of Mr George Shultz, US Secretary of State.

Mr Abrams also said yesterday he felt betrayed by the former White House aide Lt Col Oliver North and wished that he had done a better job on checking on his activities in support of the Nicaraguan Contra rebels.

But, under a second day of questioning by the House-Senate panel investigating the Iran-Contra affair, Mr Abrams, a fleet-footed former lawyer again steered clear of any admission that he himself may have broken any laws or engaged in a cover up of Col North's activities.

At one dramatic moment during yesterday's cross examination, he was asked by the crusty congressman from Florida, Rep Dante Fascell, Chairman of the House Foreign Affairs Committee, whether the controversy over Col North's operation had almost destroyed the Contras.

Mr Abrams said: "I share that fear, and I hope it's wrong."

Asked repeatedly why he had shown a lack of curiousity about Col North's involvement with the Contras during the 1984-86 congressional ban on US military aid, Mr Abrams said he felt betrayed by Col North. But on Tuesday, the 39-year-old assistant secretary of state for Inter-American Affairs, admitted that he had only asked one question: "Are you breaking any law?"

Reagan did little to persuade Volcker to stay

BY LIONEL BARBER IN WASHINGTON

MR PAUL VOLCKER, Chairman of the Federal Reserve, resigned after a less than enthusiastic request from President Reagan for him to serve a third term, it emerged yesterday.

As Washington and Wall Street continued to digest the impact of Mr Volcker's resignation, the circumstances surrounding his decision to quit became clear.

A week last Tuesday, apparently at Mr Volcker's suggestion, Mr Howard Baker, the White House Chief of Staff, went to the Federal Reserve to discuss the possibility of re-appointment.

Mr Volcker, a proud man who enjoyed an extraordinary reputation in the world's financial markets for his unflinching fight against inflation, had by this time received no direct request to stay on for another gruelling four-year term as Fed chairman from the man who mattered most: President Reagan. He therefore told Mr Baker that, after much agonising, he intended to resign.

Mr Baker, who along with Mr James Baker, the US Treasury Secretary, was a strong supporter of Mr Volcker, asked him to "think it over carefully" on a fishing trip due to start the following day.

So began what appeared to be a last minute effort, through the US press, to put the onus on Mr Volcker to change his mind. Mr Howard Baker gave an anonymous interview to the Wall Street Journal on Friday saying he would not dissuade reporters from assuming a re-appointment.

"One of the major factors involved in the thing (appointment) is what Volcker wants to do. I think Paul, the chairman, has not yet talked to the President and expressed it."

On Monday, the decision was sealed at a meeting with the President when according to one participant Mr Volcker produced a letter saying he did not want to stay.

A White House official conceded yesterday that more could have been done to encourage Mr Volcker to stay, for example if the President had picked up the phone to relay an unequivocal request a month ago when speculation about his reappointment began

Attention has begun to turn therefore on how the selection of Dr Greenspan will work out on Capitol Hill, where the Reagan appointee will have to submit to congressional confirmation.

Dr Jim Thurber, a senior political analyst at the American University, Washington DC, predicted a "fairly smooth transition," even though Dr Greenspan, a Republican, faces a Democratic majority in the US Senate.

Dr Thurber rejected the notion that Dr Greenspan could prove more pliable to the Reagan Administration desire to secure a Republican successor in the 1988 election. "There has been a tradition of presidents trying to manipulate the economy before an election, and there has been a tradition of screwing it up. If they think they can do that with Dr Greenspan, they have got the wrong man."

But Dr Greenspan's more market oriented approach to financial deregulation could provoke tension with Democrats on Capitol Hill. For example, one congressional staffer pointed out that his support of investment by state banks in diverse areas such as real estate and insurance flies in the face of efforts by the Senate banking committee to curb such deregulatory flourishes.

Brazil plans tough reforms

BY IVO DAWNAY IN RIO DE JANEIRO

BRAZIL IS set to introduce tough new fiscal measures, reductions in state subsidies and increased tariffs and prices charged by public sector utilities and corporations in a bid to reduce expenditure.

The new measures, outlined by Mr Luiz Bresser Pereira, the Finance Minister, are part of a new concerted campaign to reduce Government borrowing.

Efforts to cut federal spending also formed the central theme of a nationally broadcast speech by President Jose Sarney on Tuesday to a full meeting of his cabinet, the first to be held this year.

The Government would not however give up major public spending projects announced recently. Concluding his survey of the economy, Mr Sarney said the Government's objectives were to "combat inflation in all sectors, cutting superfluous public spending cent by cent."

However, he insisted that investment in productive works which ensure employment would continue accompanied by "close vigilance" over public funds and the punishment of dishonesty.

The president's speech appeared to be aimed at heading off criticism that the Government had recently ignored the perilous state of the economy—currently suffering 20 per cent monthly inflation—with a host of high-cost public works.

The most controversial of theses—the 1,600 km $2.4bn north-south railway — has already been dogged by evidence of corruption in contract tendering. Despite a chorus of protest at the extravagance of the project, a decision to build a $3.8bn steel works in the president's home state of Maranhao has also been widely reported as imminent.

At the same time, analyses by economists estimate the year-end public sector deficit could range between 4 per cent and 5.5 per cent of the country's gross domestic product, as against a government figure of 3.2 per cent.

Much of the president's speech appeared to conflict at least in tone with the analysis of his finance minister.

Mr Sarney insisted that his government would continue to aim for growth as opposed to recession, but Mr Bresser Pereira conceded that recessionary "signals" are already evident in the economy. Demand and private sector investment had fallen violently.

Unofficial reports claim that the Finance Ministry now believes Brazil will need some $6bn in new lending from foreign creditor banks and insitutions when it returns to debt negotiations shortly. Earlier, official statements quoted $4bn as the target. A detailed economic plan, including spending and trade targets, is expected to be published within the next two weeks. It should then be followed by a rapid reopening of talks with foreign creditors.

Length of Sarney's term causes conflict in PMDB

BY IVO DAWNAY

A PUBLIC CONFRONTATION between Brazil's majority Democratic Movement Party (PMDB) and President Jose Sarney has been averted after senior party officials voted to delay indefinitely a national conference on the length of his term of office.

But the decision has served to emphasise sharp divisions within the broadly based coalition.

While the outcome supported the view of Mr Ulysses Guimaraes, the PMDB president, it has also strengthened the challenge to his leadership by the senate leader, Mr Mario Covas.

Both men are widely considered key contenders to succeed President Sarney and their battle over the party congress has already polarised the PMDB's centre-left wing, led by Mr Covas, from the centre-right.

The question of the presidential mandate has become a key issue in the fragile relations between the party and the government, which it officially supports. Last month, Mr Sarney attempted to close the constitutional debate by announcing unilaterally that he would serve five years.

The move spilt the party, leaving Mr Guimaraes urging a cancellation of the scheduled conference to avoid a confrontation. Mr Covas, a strong supporter of a four-year term, insisted, however, that the conference should go ahead.

Reports from the three-hour meeting claimed that Mr Covas issued a stern warning that his campaign would continue. "It is an illusion to think that the subject of the presidential mandate is finished by this vote," he told his colleagues.

Sullivan calls for boycott of South Africa

By James Buchan in New York

THE Reverend Leon Sullivan, the founder of a widely followed code of practice for US companies in South Africa, yesterday abandoned his support for continued US corporate involvement in the country and called for a full-scale economic boycott.

Yesterday's announcement, though widely expected, is bound to increase pressure on those US companies still doing business in South Africa. It will also damage the standing of the so-called Sullivan Principles, a code of fair-employment for South African non-whites

Speaking in Washington, Mr Sullivan, a Philadelphia Baptist minister who launched the principles 10 years ago, called for companies to leave South Africa within nine months.

Text of Quebec accord agreed

BY ROBERT GIBBENS IN MONTREAL

PRIME MINISTER Brian Mulroney and Canada's 10 provincial premiers have agreed on the legal text of the Meech Lake accord to bring Quebec into the 1982 Canadian constitution. The legal text was not being released until later in the day.

The negotiations in Ottawa lasted 20 hours. For most of the period the first ministers were deadlocked on the wording of a clause recognising Quebec's distinctive character and on the use of federal money for national shared-cost social programmes.

Officials indicated that Quebec did not achieve a clear reference to the French language in the clause describing a "distinct society." But as the first ministers broke up at 5.30 am yesterday, Mr Robert Bourassa, the Quebec premier, said he was satisfied that the text will protect Quebec's existing language laws which favour French.

The Meech Lake accord reached on April 30 recognised the distinctiveness of Quebec within Canada and gave its government a mandate to promote this special character. Mr Bourassa had been under pressure in his own province to make clear that Quebec would be able to promote its French culture.

Mr Pierre Trudeau, the former Prime Minister, and many other constitutional authorities had attacked Meech Lake's concept of two distinct societies in Canada and had questioned whether the accord gave sufficient protection to the English-speaking minority in Quebec. They also attacked the freedom proposed for provinces to opt out of shared cost social programmes and use federal money as they wished.

They feared the terms of the Meech Lake accord would lead to an impotent central government and the Balkanisation (sic) of Canada's national social security system.

Mr Howard Pawley, Manitoba's premier, wanted the legal text to state that if provinces opt out of shared-cost social programmes, they must meet standards set by the Federal parliament.

Confusion still remains on just how much latitude the provinces will actually have to define their programme and use federal money.

Mr Pawley's position was supported by Mr David Peterson, Ontario premier, but Quebec officials said the provinces will set national objectives, without explaining how this would be done.

The full legal text of the Meech Lake Accord amending the 1982 constitution must be approved by the Canadian parliament and each provincial legislature. Before this Mr Mulroney has promised televised parliamentary hearings.

Canada to seek injunction over BA cheap fares

BY BERNARD SIMON IN TORONTO

A long-running air traffic dispute between Britain and Canada has escalated with plans by the Canadian authorities to seek a court injunction stopping British Airways from offering discount fares on routes between the two countries.

BA has ignored a cease-and-desist order issued by the Canadian Transport Commission last week to stop selling the advance purchase tickets, which would cut fares between Britain and five Canadian cities by almost half.

Mr John Crosbie, Canada's combative transport minister, announcing that he had advised CTC to take legal action against BA, said: "We're not going to be pushed around by the British."

The British carrier's action appears to be part of a strategy by both BA and state-owned Air Canada to gain maximum advantage from the uncertainty surrounding the 40-year old UK-Canada air traffic agreement. A British official said yesterday that "each is trying to secure a corner and cut out a bit of new ground."

Last month, British authorities thwarted Air Canada's plans for a large number of charter flights into Gatwick.

The dispute has steadily escalated since Britain gave one year's notice last autumn of its intention to terminate the bilateral air services agreement. Its action stemmed from allegations that Air Canada was abusing its so-called "fifth freedom" rights by picking up an unusually large number of passengers in London for flights from Toronto to Bombay and Singapore.

The British claim that passengers boarding in London make up more than two-thirds of Air Canada's loads on the Far East route.

In retaliation against termination of the air services agreement, Canada has threatened to withdraw over-flying rights to British and other foreign aircraft.

The chances of the dispute leading to a cut in air links are remote considering the generally cordial relations between Britain and Canada, and the importance of the route to both countries' airlines.

The veteran jet is heading for record sales, **Michael Donne** reports

Back to the future for Boeing 737

DURING the next few weeks, the Boeing twin-engined 737 jet airliner, which first entered service on February 10, 1968, will become the world's best-selling jetliner.

Current sales stand at 1,818 aircraft, only 13 short of the record 1,831 aircraft held by the earlier Boeing 727 tri-jet. The latter, larger than the 737, is no longer in production but is still in service world-wide.

There is no doubt that the 737 will not only overtake the 727's sales record, but also go well beyond it.

It is also likely to continue to sell through the 1990s, despite competition from other short-range jets, such as the McDonnell Douglas MD-80 Series.

In particular, Boeing believes that the Series 500 seating between 100 and 110 passengers, formally launched a few weeks ago, will open a new market among airlines seeking smaller jets for regional and commuter-style operations.

The first version of the 737 in 1968, the Series 100, was also a 100-110 seater, but airlines were expanding and demanded bigger aircraft, to which Boeing responded. As a result, the Series 200 was swiftly developed, seating around 120 passengers, followed by the Series 300 with around 130 and the extended-fuselage Series 400 with about 140, although there are wide variations on those figures according to the whims of individual airlines. All these models, with the exception of the Series 100, remain in production.

The latest Series 500 fills the 100-110 seater gap in the family of 737 jets, designed to meet the competition from such manufacturers as Fokker of the Netherlands with the Fokker 100, a smaller aircraft for regional routes.

Boeing could not afford to ignore such a situation. The Series 500 incorporates all the improvements in technology of recent years, from engines and electronic flight decks to aircraft systems.

Among other major jet airliners of the past 30 years or so, Boeing's 707/720 series, one of the world's first two jetliners (the other was the Douglas DC-8), sold 997 aircraft before production for commercial roles ended (although the 707 model is still being built for military airborne early warning and other duties).

Of the other Boeing jetliners still in production, the Jumbo 747 has sold over 790, while the short-to-medium range 757 has sold 210 and the medium-to-long range 767 has sold close to 250.

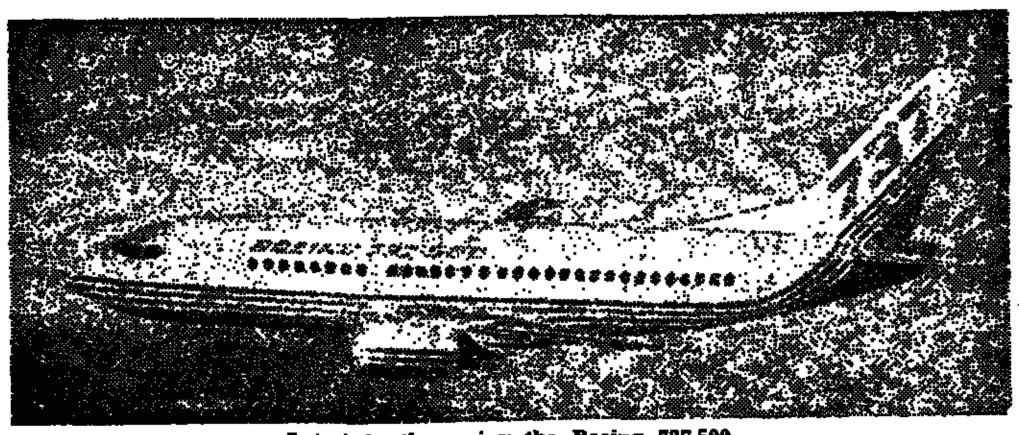
The rival Douglas (now McDonnell Douglas) DC-9 series of twin-jet airliners sold 976 aircraft, prior to the introduction of the improved MD-80 series, now in production.

The 737 is popular for several reasons: its size is convenient for many of the world's short-haul operators and it is capable of performing profitably on routes of between 100 and 3,000 miles.

Although not specifically designed as a short take-off and landing aircraft, it nevertheless has a good short runway performance. It is also very cheap to fly, with a two-man crew on the flight deck, and one of the lowest aircraft-mile and seat-mile costs of any jet airliner now in service.

In addition to regularly scheduled airlines, the 737 has found great favour with charter operators.

Boeing believes that the 737 is still capable of further variations and that, in one form or another, it will be selling well into the next century.



Latest in the series: the Boeing 737-500.

Delors rejects claim that oils tax would break Gatt rules

BY QUENTIN PEEL IN BRUSSELS

Mr Jacques Delors, president of the European Commission, yesterday rejected accusations that a proposed tax on vegetable oils and fats in the European Community would be discriminatory and break the rules of the General Agreement on Tariffs and Trade (Gatt).

He defended the plan against strong criticism both from within the Community, and from trading partners including the US and Third World suppliers of vegetable oils, insisting that it was misunderstood.

"Many people talk about this tax as if it were a Loch Ness monster, a very worrying thing," he said. "But there is no discrimininatory element. It applies just as much to European producers as to producers from outside."

The criticism of the "stabilising mechanism"—it would be a tax in times of surplus, as at present, but a subsidy in times of shortage—has focused on the use of part of the revenue to support EC producers, thereby protecting them from the full force of the tax.

"It is part of a package enabling the Commission to offer European agriculture a development outlook for olive oil and oilseeds and finance this by a tax that the consumer will pay," the president said. He denied that it was inconsistent with Commission proposals urging resistance to any protectionism being used against Third World exports.

Jacques Delors: Proposal being misunderstood.

The tax, which would apply to marine as well as vegetable oils, is the most controversial element in the Commission's annual farm price proposals and is currently blocked by the UK, West Germany, the Netherlands, Denmark and Portugal.

European airlines recovering after 'traumatic' 1986 results

BY TIM DICKSON IN BRUSSELS

EUROPE'S big airlines had a "traumatic" year in 1986 but results so far in 1987 suggest that business is picking up.

This bitter/sweet message was delivered yesterday by Mr Karl-Heinz Neumeister, secretary general of the Association of European Airlines, which groups together the continent's major carriers.

In Brussels yesterday, Mr Neumeister also took the opportunity to call for "an end to the legal uncertainty" created by European Community actions to hasten the process of airline liberalisation.

Figures released yesterday show that association members collectively turned in an estimated $850m in gross operating profits in 1986, or a net surplus of $400m after interest payments. The comparable figures in 1985 were $1.8bn and $650m.

Passenger capacity increased by 4.3 per cent over the year but passenger traffic, as measured by revenue passenger-kilometers, was only 0.7 per cent higher. The second quarter of 1986 produced a 4.5 per cent fall in traffic—the largest decrease on record, according to Mr Neumeister.

Fears of terrorism, the after-effects of the Chernobyl nuclear disaster, and the weakening dollar are all blamed for the

The result was 1m fewer Americans travelling to Europe in 1986 compared with the previous year. This was only partially offset by an increase of 600,000 Europeans flying the other way.

Mr Neumeister predicted a more stable outlook in the current year, with combined cargo and passenger growth reaching an estimated 8 per cent and gross operating profits of nearly $1bn by the end of the year. Association figures indicate that passenger traffic in the first four months of 1987 was up by 10.5 per cent, with an 8.4 per cent rise for freight.

Asked about the likely outcome of next Tuesday's meeting of EC Transport Ministers, when an attempt will be made to reach agreement on a liberalisation package for Community airlines, Mr Neumeister replied: "I hope they will agree on something. Our members have to deal with a lot of uncertainty around the world—we have a right to know the rules in our own market."

Referring to the European Commission's threat to apply the competition rules of the Treaty of Rome against airline fare fixing and revenue sharing practices, he added: "The substance of the deal is not so important as getting exemptions from the law. Airlines can't easily plan their aircraft purchases and train their pilots in this sort of atmosphere."

● The European Commission yesterday announced that Sabena, Belgium's national carrier, had agreed to grant London European Airways access to its computer reservation system, Saphir. London European, a British company which has just started a service on the Luton-Brussels route, asked to use the system so that its flights would be listed on the terminals of Belgian travel agents. Almost 80 per cent of agency reservations go through Saphir.

Sabena refused access on the grounds that London European's cheap fares could take away passengers on its flights and because the British airline did not intend to grant Sabena the contract for the ground handling of its aircraft.

When the Commission upheld a complaint that the Belgian carrier was abusing its dominant position, Sabena agreed to London European's request.

'Link trade to workers' rights'

BY NANCY DUNNE IN WASHINGTON

AN ORGANISATION was formed yesterday in the US to urge trade curbs against countries which gain competitive advantage through denying workers' rights.

The International Labour Rights Education and Research Fund was founded by Mr Ray Marshall, former US Labour Secretary, several Congressional labour leaders and human rights activists.

Mr Marshall said: "No country should be allowed to gain competitive advantage in international trade where child labour and life-threatening job hazards are allowed to flourish, where labour organisers are jailed and killed or where collective bargaining and strikes are effectively prohibited."

The move comes while Congress is considering a provision in proposed trade legislation to restrict commerce with countries that do not recognise worker rights granted by the International Labour Organisation.

Some legislators, however, say the provision, which could limit imports from several nations including South Korea, Chile and Taiwan, is protectionism disguised as humanitarianism.

In 1984, Congress passed a measure which made workers' rights a consideration in the granting of most-favoured nation status granting trade benefits. The President, however, was given the power to waive actions against workers' rights violations and in most cases he has used that power.

Mr Don Pease, an Ohio Democrat and author of the labour rights provision in the law, said the bipartisan group would build public understanding of the need for further laws and international action.

Bearings factory to be set up in S Korea

NIPPON SEIKO and Marubeni of Japan have agreed with Korea Machinery to set up a bearings factory in South Korea, Reuters reports from Tokyo.

Nippon Seiko said the new company would be formed in August and was tentatively named Korea High Precision. It would be located in Changwong city, west of Pusan, and capitalised at 8.4bn won. Korea Machinery would own 50 per cent, Nippon Seiko 40 per cent and Marbeni 10 per cent. It would make 1m miniature bearings a month from late 1988.

Baldrige hopeful on Japan chips row

MR MALCOLM BALDRIGE, the US Commerce Secretary, said yesterday Japan had shown signs of opening its markets to semiconductor imports, Reuter reports from Washington.

Mr Baldrige expressed hope for an end to US trade sanctions against Japan. "We hope we can lift them soon, but we have to see the facts first," he told the Greater Washington Board of Trade, a business group.

The US imposed sanctions in April because it said Japan failed to meet its obligations under an agreement to eliminate unfair trade practices.

FT LAW REPORTS

Negligence precludes payment

SONAT OFFSHORE SA v AMERADA HESS DEVELOPMENT LTD AND TEXACO (BRITAIN) LTD

Court of Appeal (Lord Justice Purchas, Lord Justice Parker and Lord Justice Stocker): May 15 1987.

A CONTRACTOR who agrees to perform work and provide services, equipment and personnel for a particular operation, is not entitled to payment while the operation is interrupted due to his own negligence or wilful default, unless the contract provides otherwise or payment is expressed to be for a specified period and not for the work performed.

The Court of Appeal so held when allowing an appeal by Texaco (Britain) Ltd from Mr Justice Saville's decision that it was contractually liable to pay Sonat Offshore SA for drilling services which it had not received due to Sonat's negligence.

LORD JUSTICE PURCHAS said that on March 8 1983 an explosion and severe fire occurred in the riser tensioner system on a semi-submersible drilling rig which belonged to Sonat, and which at the time was being operated to sink a well for Texaco in the North Sea.

Under a drilling agreement assigned to Texaco, Sonat had agreed to furnish the rig, drilling and other equipment, and personnel, and to drill one well for Texaco.

As a result of the explosion the drilling operation was interrupted. The rig was not available for drilling from March 9 1983 to April 8 1983. It was used from March 1 to 8 and April 9 to 24, by which time drilling was complete.

The issue concerned what payment, if any, should be made for March 9 to April 8.

In the recitals to the agreement Sonat held itself out as having adequate resources, equipment and personnel "to furnish the semi-submersible drilling rig and its associated equipment (hereinafter called "the rig") with the drilling personnel and equipment as detailed in Schedules A and C hereto."

The recital drew a distinction between the equipment "associated with the rig" and comprehensively included in the definition of "the rig" and contractor's equipment and personnel listed in the Schedules. Schedule A included riser tensioners.

The function of the riser tensioner was to compensate the floating movements of the semi-submersible rig in relation to the drilling equipment embedded in the seabed.

Against the context the riser tensioners could not be part of the comprehensive expression "the rig" as defined in the recital, but were contractor's equipment listed in Schedule A.

The appeal revolved around the construction of article 8 of the agreement which provided that Texaco should pay Sonat for work performed, services rendered and materials, equipment and supplies furnished, "at the following rates and fees ..." Articles 8.3, 8.6, 8.7 and 8.8 set out a daily operating rate, an equipment breakdown rate, a rig repair rate and a force majeur rate respectively.

Mr Scott for Texaco submitted *that those rates* related to events which affected the progress of the work, but did not extend to negligence or wilful default by Sonat. Mr May for Sonat submitted that one daily rate or another was payable regardless of whether the interruption arose as a result of Sonat's negligence or wilful default.

Mr Justice Saville held that Texaco was obliged to pay at the equipment breakdown rate specified in article 8.6, and that the obligation was not mitigated by the fact that the breakdown was a result of Sonat's wilful default or negligence.

Principles applicable to the construction of a term providing for "work performed, services rendered and materials equipment and supplies furnished" might be derived from the authorities involving clauses excluding or exempting a party from liability for his own negligence or wilful default (see *Canada Steamship Lines (1952) AC 192, 208; The Raphael (1982) 2 Lloyd's Rep 42, 45; Gilbert Ash (1974) AC 689, 717).*

Those principles were:

1. Contracting parties in a commercial world were not likely to agree to pay for work performed, services rendered, *etc*, in circumstances in which the other party did not perform the work or render the services.

2. If the stipulation was to make continuing and regular payments throughout a defined period whether or not the work was being performed, services rendered, etc, one would expect to find an express term which provided that such payments related to the period during which the work or services were to continue rather than to the work or services for which payment was to be made.

3. If there was no such express stipulation an obligation to pay in the absence of work being performed, etc, would only be inferred if there was no other reasonable alternative (see rule *3 Canada Steamship, Page 208).*

4. In construing clauses of an agreement providing for payments for work performed, services rendered, or materials, equipment and supplies furnished, express words or necessary intentions were required before the scope of such clauses could be extended to exclude rights and liabilities arising under other clauses in the agreement.

In the present case, article 8 specifically provided that payments should be made for the work performed, services rendered, etc. It did not provide that during the currency of the agreement or during any other specified period payment should be made at the various rates provided.

Articles 8.6, 8.7 and 8.8 might be considered in the light of exceptions to the rule that no payment should be made unless the work was being performed, the services rendered *etc, on the basis* that in cases where interruption was not due to Sonat's negligence or wilful default, then it was reasonable that it should receive some payment.

Thus where the work was interrupted as a result of equipment breakdown there was clearly a case that some continuing payment should be made under clause 8.6, providing that breakdown was not due to Sonat's negligence or wilful default – for example, if there was a defect in specialist equipment, undetectable on reasonable examination by Sonat.

The judge was correct in considering that the interruption of operations was due to equipment breakdown. But under the proper construction of the agreement Texaco was not liable to make payments under article 8.6 when the equipment failure or breakdown was caused by Sonat's negligence or wilful default.

The appeal was allowed.

Lord Justice Parker and Lord Justice Stocker gave concurring judgments.

For Sonat: Anthony May QC and Angus Glennie (Ince and Co)

For Texaco: Peter Scott QC and Michael Brincle (Slaughter and May)

By Rachel Davies
Barrister

UK NEWS

Britain's top managers move up pay league

BY MICHAEL SKAPINKER

ALTHOUGH BRITISH chief executives are still close to the bottom of the international pay league, the granting of share options and other benefits substantially improves their position, according to a study published yesterday.

The study, by international management consultants Towers, Perrin Forster and Crosby, looked at top management pay in 20 countries and found that in terms of total cash remuneration (salary and bonus) the typical UK chief executive is in 13th place, behind his counterparts in the United States, Japan, Brazil, Argentina and almost all west European countries. The typical chief executive was defined as one who runs a company with annual sales of £75m.

When long-term incentives and benefits, such as share option schemes and company cars, were included, the UK chief executive rose to eighth place, ahead of his opposite numbers in France, Italy, Sweden and several Latin American and Asian countries.

The study revealed that, although the use of long-term incentives was growing internationally, the UK, Canada and the US were the only three countries which widely used share options.

Towers Perrin found that differing taxation rates and living costs in the countries studied meant that some chief executives on high salaries had less money to spend than their comparatively poorly paid foreign colleagues.

RELATIVE RANKING

Country	Total cash	Net pay	Purchasing power
United States	1	1	1
Switzerland	2	2	4
West Germany	3	3	7
Japan	4	4	16
Netherlands	5	12	14
Belgium	6	16	17
France	7	5	8
Canada	8	9	5
Italy	9	7	11
Brazil	10	8	2
Spain	11	10	12
Argentina	12	6	3
United Kingdom	13	15	15
Singapore	14	11	9
Sweden	15	19	20
Mexico	16	17	13
Venezuela	17	14	6
Hong Kong	18	13	10
Australia	19	18	18
Korea	20	20	19

Although Japanese chief executives were in fourth place in terms of total cash received, they dropped to 16th when it came to purchasing power. High rates of tax in the Netherlands meant, too, that, while the typical Dutch chief executive ranked fifth in total pay, he fell to 12th in net pay and 14th in purchasing power.

A Brazilian chief executive, however, had greater purchasing power than his counterpart in any other country, except the US, despite being in 10th place in total cash received.

American chief executives were the best paid managers in the sample whatever measure was used: total cash, net pay or purchasing power. Swedish chief executives had the lowest purchasing power of the group, behind top managers in Australia and Korea.

Taxation and living costs did not substantially alter the position of the UK chief executive: in 13th place in total cash, he was ranked 15th in net pay and 15th in purchasing power, ahead of his Japanese opposite number.

Paying the Chief Executive. Towers, Perrin, Forster and Crosby, Castlewood House, 77-91 New Oxford Street, London WC1A 1PX. Free.

European spending on environmental research 'inadequate'

BY RALPH ATKINS

EUROPEAN COMMUNITY spending on environmental research is inadequate, according to a report from a House of Lords select committee published today.

The committee warns that Europe could become "the underdeveloped continent of the 21st century" if funds available for research into improving the environment are not increased.

In particular the report says there is an urgent need for research into the impact of proposals to reform the Common Agricultural Policy by switching land from agricultural to other uses – such as forestry, golf courses, caravan parks or building.

"The profound consequences throughout the Community of the reform of the CAP have not been considered in sufficient detail," the report says.

In 1984 the Community allocated 8.4 per cent of its research and development budget to environmental research – equivalent to about £33m.

But the committee reports that the Fourth Environmental Action Plan for the six years 1987-92, issued by the European Commission in March, proposes reducing the allocation to 7.5 per cent.

The report criticises the action plan for giving "scant consideration" to changes taking place in European agriculture. It says it has missed an opportunity to make changes in land use that would benefit the environment.

"The committee hoped to see this opportunity seized in the action plan and hoped for detailed proposals for the integration of environmental and agricultural policies. This has not happened," it says.

The action plan is also criticised for failing to give high priority to the implementation of existing directives on the environment issued by the Community.

Community directives set out a result to be achieved but the method used is left to individual members. More than 100 directives have been made on environmental matters but some countries have fallen behind others in implementing them.

"There is an urgent need for a complete review on the progress of implementation of all existing directives, as lack of directives could seriously strain confidence of member states in the credibility of the Community's environmental policy."

However, the committee rejects the idea of a Community Environmental Inspectorate as suggested in the action plan. This, it says, would just add another layer of bureaucracy and proposes instead that inspectors from each country should co-operate in the study of common problems.

Fourth Environmental Action Programme. Report by House of Lords Select Committee on the European Communities. HMSO £9.80.

Poverty and inequality 'growing in London'

BY ALAN PIKE, SOCIAL AFFAIRS CORRESPONDENT

LONDON'S economy is in deeper crisis than it has been for 100 years and there is growing inequality among people living in the capital, a report claims today.

The study, written by a team led by Prof Peter Townsend, Professor of Social Policy at Bristol University, and published by the Low Pay Unit, says London has the largest concentration of unemployment of any city in the industrial world.

Jobs in banking, insurance and finance now exceeded those in manufacturing, and this structural change illustrated the growing inequality between prosperous and deprived groups of Londoners.

"Standards of living among poor and rich are continuing to diverge and are diverging faster in London than in the UK as a whole," says the report. Government survey data showed that the poorest quarter of the UK population bought less in real terms in 1985 than in 1979, and this conclusion applied more sharply to the poorest quarter of the London population.

Poverty and Labour in London, Low Pay Unit, 9 Upper Berkeley Street, London W1H, 8BY, £4.95.

Air travel task force urged

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A CALL for a task force to be set up by all organisations interested in air travel to find ways of improving the quality of service to airport passengers has been made by Mr Colin Marshall, chief executive of British Airways.

He told the World Airports Conference in London that a special task force, representing all the key elements involved in air travel, could be set up by the air transport industry itself to seek change, improvement and greater response to the needs of all the airport customers.

What was needed, he declared, was a specialist group of people knowledgeable about the air transport industry who would identify the problems and the potential of the industry, and "openly seek to reconcile the honest differences. I commend the effort to all of you and would be pleased to have British Airways serve and support such a task force's efforts."

He said that airlines and airports saw the service needs of their customers quite differently. He doubted whether the passenger was best served by airlines and airports making public comments about each other's failings.

He warned that it if the right type of service to satisfy customers' needs was not provided major airports would lose customers to other, smaller regional airports as well as to alternative forms of transport.

He said that airports and airlines both existed to supply whatever services customers needed: "If we do it well, they will stay with us. If we do not, sooner or later they will find other alternatives.

"What is really needed is a total rethink of how we serve the customer."

Dr Gunter Eser, director-general of the International Air Transport Association, told the conference that because of rising volumes of passenger traffic, many airports throughout the world were already facing severe problems, and this situation would get worse.

GEC pays £126m for TI Group's Creda division

BY CHRISTOPHER PARKES, CONSUMER INDUSTRIES EDITOR

GEC, the engineering conglomerate, is to buy TI Group's Creda domestic appliances division for £125.9m cash.

The deal completes TI's drive to shed non-core interests and transform itself into an international specialist engineering company.

It also consolidates GEC's position as leader in the UK white goods market, and gives it a sound springboard for overseas expansion.

Pending approval from the Office of Fair Trading and TI shareholders, the sale will leave GEC as the sole British large-scale appliance maker.

Electrolux of Sweden, which recently bought Thorn EMI's white goods arm, Philips of the Netherlands, and US-owned Hoover, are the other leading players.

The price includes the repayment of TI financing balances of £22.5m and gives GEC the Creda and Jackson brands of cookers, washing machines and other appliances, and an extensive service organisation to tag on to its existing Hotpoint division.

The Creda businesses made £14.5m operating profit on sales of £142.4m last year. At the end of 1986 net assets totalled £19.4m before deduction of financing balances.

GEC is understood to have approached the Office of Fair Trading before yesterday's announcement, and while no ruling has yet been made, the companies do not expect the deal to be blocked.

The main danger area is in tumble driers, where Creda has about a 50 per cent market share and Hotpoint something over 10 per cent. The GEC subsidiary has about 30 per cent of the washing machine trade and Creda about 3 per cent.

Mr Christopher Lewinton, TI chief executive, said yesterday that his group's disposal programme was essentially complete.

The loss-making Raleigh cycle division was hived off to Derby International late last year and in the past six months it has sold New World gas cookers to Birmid Qualcast, the Glow-Worm and Parkray heating operations to Hepworth Ceramic, and small appliance interests in Russell Hobbs and Tower to Polly Peck.

The £220m raised from these latest disposals is earmarked for acquisitions, in Europe and the US, to reinforce TI's main remaining interests in specialist engineering.

Adding the Creda and Jackson cooker ranges to its existing Cannon gas-fuelled line promotes Hotpoint from around the bottom of the league to market leadership in free-standing cookers.

The purchase also stretches Hotpoint's lead in home laundry.

Most importantly, it suggests that GEC is now committed to remaining in and developing the appliance business. Mr Jeoff Samson, Hotpoint's managing director, said recently that he hoped to develop business overseas. The company could not expect to maintain its position in a national niche market, he added.

GEC executives were not available for comment yesterday.

TI has called an extraordinary shareholders meeting to approve the sale on June 18, when it is expected the sale will be completed.

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Anti-Tory publicity campaign must stop, rules High Court

BY JIMMY BURNS AND RAYMOND HUGHES

A £1m publicity campaign by Britain's fourth largest union, the white-collar Nalgo in support of public services, was anti-Tory and must stop until after the general election, the High Court in London ruled yesterday.

Sir Nicolas Browne-Wilkinson, the Vice-Chancellor, said that the main purpose of the campaign "Make People Matter," targeted on Conservative marginal constituencies, was to persuade people not to vote Conservative.

It was, therefore, a breach of the 1913 Trade Union Act which bars any union not having a political fund from financing a campaign to persuade people to vote or not vote for a political party or candidate. Nalgo does not have a political fund.

The judge ordered the union to stop issuing campaign leaflets immediately and gave it until 6pm on Friday to remove or cover up posters on billboards.

The High Court action brought against Nalgo by two Conservative union members had been widely seen as a test case for recent government legislation limiting unions' political spending powers.

However, the outcome of the case is not expected to have an impact on the scope and scale of trade union involvement in the election campaign.

Trade unions affiliated to the Labour Party, and who have met the legal requirements on political funds, have already exceeded by £1m the £3m originally targeted for the election campaign, according to Mr Bill Keys, the unions' national co-ordinator.

The figure compares with £2.25m spent by the unions during the 1983 election campaign.

The Council of Civil Servants Unions, the main policy-making body for non-industrial civil servants, said yesterday that the High Court ruling would not change its plan to distribute over half a million leaflets entitled "Your vote counts."

Only one of the nine unions represented by the Council have a political fund, although the leaflet campaign is expected to cost in the region of £20,000.

Nalgo has already spent about £800,000 on its campaign criticising the Government's social policies.

The union said yesterday that it was relieved the judgement had made clear that it was lawful for unions without political funds to campaign against government policies in defence of their members' interests outside election periods.

The ruling, however, is expected to reinforce the determination of moderate Labour candidates to distance themselves from the unions in the election campaign.

The Labour Party stressed yesterday that it was not officially involved in the Nalgo campaign.

"The campaign is run by Nalgo for its members," a spokesman said.

Sir Nicolas told the court that he had the "uncomfortable feeling the court had been used as a weapon in a party political battle."

He said unions were entitled to disagree with government policy. "The vice in this case is that they have linked this disapproval in a biased way with an invitation to vote."

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Civil servants move to the left

BY MANI DEB

SUPPORTERS of the Marxist Militant Tendency yesterday won overall control of the executive council of the Civil and Public Services Association (CPSA), the largest Civil Service union.

They took power from right-wingers a few days after Mr John Macreadie, also a Militant Tendency supporter, was elected deputy-general secretary of the 150,000-strong union.

The electoral success of the Militant supporter gains added significance because Mr Neil Kinnock, the Labour Party leader, has tried to convince general election voters that Militant's influence in the labour movement is declining.

Membership of Militant has been banned by the Labour Party and about 100 party members have been expelled over the issue.

The political change in the CPSA's leadership is likely to see increased pressure for an intensification of the pay campaign of industrial action currently being mounted by three civil service unions, including the CPSA. But Militant's control may lead it into conflict with another non-Militant, left-led union.

Final voting figures announced yesterday showed that Militant supporters had won 18 of the 26 seats. The centre-right won six seats, and two went to a non-Militant left group. The right held 20 seats on the outgoing executive, with three seats each held by Militant and the non-Militant left.

Mr Macreadie said last night: "The results showed that the members clearly reject the policy of the right-wing of the union and their determination to overcome eight years of Tory attack on the Civil Service, on jobs and working conditions."

Trademark setback for drug companies

By Raymond Hughes

UK PHARMACEUTICAL companies concerned to stop their trademarks being infringed by parallel imports of products from other EC countries have suffered a setback as a result of a ruling by the Court of Appeal in London.

The court held yesterday that possible trademark infringements do not have to be considered by the Secretary of State for Social Services when issuing Product Licences (Parallel Imports) under the 1968 Medicines Act.

The ruling overturned a High Court decision won in February by the Wellcome Foundation, which had complained that one of its main products, with an annual UK turnover of £9.5m, was being damaged by parallel imports.

Wellcome, which was refused leave to appeal to the House of Lords, had sought judicial review of a DHSS decision that trademark infringements were irrelevant to consideration of whether to grant a licence.

The case concerned an anti-bacterial drug marketed by Wellcome in the UK under the trademarks Septrin or Septrin Forte and also manufactured and marketed in other EC countries as Septrin or Eusaprim.

Wellcome calculated that each year more than £900,000 worth of Eusaprim, which cost less in other EC countries than Septrin did in the UK, was being imported into the UK and sold under the name Septrin without its consent.

It was being dispensed by pharmacists in about 10 per cent of cases where doctors prescribed Septrin, Wellcome claimed.

Extel pins hopes of resisting United bid on monopoly referral

BY CLAY HARRIS

EXTEL, the financial and sports information group facing a £250m takeover bid from United Newspapers, the publishing company, yesterday reluctantly advised shareholders to act swiftly if they intended to accept the cash terms.

Mr Alan Brooker, Extel chairman, conceded that United was in a commanding position after gaining control of nearly 42 per cent of Extel shares by the first closing date on Tuesday. As a result, United has extended the cash offer only until Monday.

Extel made clear that it still regarded United's current terms as "totally inadequate," although it was prepared to recommend a suitable higher offer.

It pins its main hopes, however, on the possibility of a reference to the Monopolies and Mergers Commission before the bid is declared unconditional.

"The chances of an alternative offer now emerging are negligible," Extel said. It blamed this directly on the decision by Globe Investment Trust to commit its 8.8 per cent stake to the bid at the last minute on Tuesday.

Globe had been told of its talks last week with two unnamed UK companies which might have led to higher offers, Extel said.

Extel also disclosed that MIM, the fund management group, had rejected two separate cash offers at 500p per share for its 7 per cent stake. Kleinwort Benson, the merchant bank advising Extel, made the offers – 22p above the market price and 19p above United's cash offer – on its own behalf.

MIM did not accept the bid on Tuesday. Although Lord Stevens is executive chairman of both MIM and United, the Takeover Panel ruled last month that the two parties were not acting in concert.

Samuel Montagu, the merchant bank advising United, holds 29.7 per cent of Extel on behalf of its client. Some 26.8 per cent was bought from Mr Robert Maxwell in a sealed-bid auction in April.

United shares lost 3p yesterday to close at 462p. This values its share offer at 476p, compared with Extel's market price of 478p, down 6p on the day. The cash alternative is 481p.

Sunday Today to close

BY RAYMOND SNODDY

NEWS (UK), publishers of Today newspaper is closing down the Sunday edition of the colour tabloid with immediate effect to clear the presses for contract printing.

The closure is the result of a deal signed yesterday with News International under which Today's presses will be used to produce 1m copies a week of the News of the World in colour.

News (UK) will begin printing the News of the World from this Sunday at its presses at Poyle near London's Heathrow Airport, Birmingham and Manchester.

The one year contract which is worth £1.4m will help to reduce the financial pressure on Today which is controlled by the Lonrho group.

Sunday Today had a stable circulation of about 200,000 – markedly lower than the weekday newspaper, which had estimated average sales of 311,000 in May.

Surprise fall in US visitors

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

A SURPRISE fall in the number of US visitors in the first quarter of this year was revealed yesterday in official tourism figures.

The figure fell 1 per cent on the same period last year to 520,000. In March the fall was 2 per cent.

The shortfall in US business and leisure travellers was made up by a 7 per cent increase in visitors from western Europe during the first quarter, compared with the same period last year.

Travel trade analysts noted that the slight fall in US visitors in the early part of this year was in comparison with relatively good figures for early 1986 before fears of terrorism in Europe affected the market.

However, total expenditure by overseas visitors in the first quarter of this year was 12 per cent higher at £1.02bn.

A total of 9 per cent more UK residents went abroad in the first quarter than in the same period last year, spending 15 per cent more at £1.03bn.

● UK tour operators continued yesterday to offer cut-price holidays due to slack demand. Horizon Travel offered flight-only holidays during June for £49 to fill empty seats on the company's package flights. This follows similar cheap flight-only deals offered last week by Thomson Holidays and Intasun.

UK NEWS

Scottish Provident launches US fund

By Charles Batchelor

A FUND worth $35m (£21m) to invest in established but unquoted high-technology companies in the US has been launched by The Scottish Provident Institution, a mutual life assurance group, and Berkeley Govett, the UK fund management company.

The fund, SPI Berkeley Development Capital, will concentrate on late stage investments – typically businesses two to three years away from a public listing – in companies engaged in areas such as telecommunications, medical products and services, software and robotics.

Scottish Provident, which is putting up $25m of the total funding, said it believed this was the first time a life assurance group had become so closely involved in a fund of this type. The remaining $10m is being sought from other UK investors. The fund will seek a listing on the Luxembourg Stock Exchange.

The life assurance group already has some unquoted investments but taken together they are smaller than its latest investment.

Scottish Provident is based in Edinburgh and has more than £2.5bn under management. Berkeley Govett has $3bn under management including $400m in high-technology companies.

City accused of massive overkill and high costs

BY CLIVE WOLMAN

A BLISTERING attack on the "massive overkill" and excessive costs of the new City of London regulatory framework and in particular the rules of the Securities and Investments Board (SIB) is being delivered today by two leading financial economists.

They argue that the new framework stipulated in the 1986 Financial Services Act will lead the regulators to "seek an easy cohabitation with" the regulated, particularly the established City institutions which will be entrenched at the expense of the "small, often buccaneering institutions" which are more willing to innovate.

The criticisms are being made in speeches prepared by Professor Charles Goodhart, professor of banking and finance at the London School of Economics, and Mr David Lomax, group economic adviser to National Westminster bank, at a conference in London of the Institute of Economic Affairs.

Ms Kate Mortimer, the SIB director of policy, and Sir Nicholas Goodison, chairman of the London Stock Exchange, will also be speaking.

Mr Lomax estimates that the direct costs of the SIB and the self-regulating organisations are likely to be around £20m and the internal compliance costs of City institutions, in employing for example more than 1,000 compliance officers, another £100m.

"Some tens of millions of pieces of paper will be floating around the City as a result of this new system. The cost is therefore very high, and indeed is substantially greater than any identified losses suffered by investors in public scandals in recent years," Mr Lomax says.

In addition to these direct costs, Prof Goodhart identifies four other potential costs; the financing of compensation funds, the diversion of business overseas, the restriction of competition and the stifling of financial innovation.

He criticises the lack of attention given to potentially much cheaper methods of achieving the stated aims of investor protection, in particular tougher penalties for transgressions and more public monitoring through the greater public disclosure of information.

The existence of compensation funds might introduce greater moral hazard and encourage thinly capitalised institutions to take excessive risks knowing that losses will be borne mainly by the funds, Prof Goodhart says.

For this reason, he sees no alternative to some form of capital adequacy requirements.

Similarly, he accepts that the new framework has succeeded in limiting the danger of institutions diverting business away from the UK to escape its regulations.

However, Prof Goodhart is particularly critical of the methods of tackling the abuses of commission-hungry, door-to-door life insurance salesmen. The imposition of a maximum commissions scale on independent insurance brokers, but not company salesmen, will make it difficult for smaller companies which cannot afford sales forces to challenge the bigger institutions, which brokers will feel pressure to recommend.

In any case, the SIB's distinction between independent brokers and company salesman and the lack of information these intermediaries will have to provide on their commission payments have left critics unsatisfied, he says.

The bias against the smaller innovating companies is reinforced by the requirement that securities transactions must be put through recognised investment exchanges, such as the stock exchange, which "imposes a degree of artificial monopoly which could serve to restrict change."

Prof Goodhart adds that he is "more concerned about the restrictive practices that may develop in future under the coverage and camouflage of the regulatory system."

Regulatory body sets fees for membership

BY NICK BUNKER

THE AVERAGE small firm of life assurance and unit trust intermediaries may have to pay between £900 and £2,750 a year to be authorised under the Financial Services Act, according to one of the industry's regulatory groups.

The figures appear in a membership subscription scale proposed yesterday by the Financial Intermediaries, Managers and Brokers Regulatory Association (Fimbra).

Fimbra said annual subscriptions would range from £500 for a sole trader who never handels clients' money, up to £18,000 for a company which employs 100 investment advisers, manages customers' funds, and deals in securities as well as selling life and unit trust products.

Fimbra hopes to be recognised as the self-regulatory organisation (SRO) responsible for policing Britain's independent life and unit trust intermediaries.

Fimbra's proposals have been keenly awaited by the life assurance industry, because of widespread fears that the cost of membership could help drive many independent intermediaries to become direct salesmen for big life companies.

Fimbra said it calculated the fees on the assumption that it would have 7500 members by the end of the year, but they could be revised later "in the light of experience."

It has abandoned a requirement for its members to carry professional indemnity insurance. It has also dropped its £30 annual subscription for each registered individual employed by member firms and companies.

The proposals received a lukewarm welcome last night from Ms Joanne Hindle, financial services director of the British Insurance Brokers Association.

"A number of our members will be suprised by the large size of some of the fees," she said.

Fimbra proposes a four-tier membership structure, with fees depending on the members' size.

Category one will include firms which advise on investments in life and pensions policies and unit trusts, but never handle clients' money.

Category two will comprise members which sell the same type of products but also handle customers' funds. Categories three and four will be made up of members which offer more comprehensive services.

A sole trader in Category one would pay a £500 annual subscription. A four-person firm, the average size of Fimbra's current members, would pay £900 in Category one, £1200 in Category two, £1800 in Category three, and £2750 in Category four.

GEC Avionics wins £43m helicopter sonar order

BY TERRY DODSWORTH, INDUSTRIAL EDITOR

GEC AVIONICS has won a contract worth up to £43m to update the sonar system on the Royal Navy's fleet of Sea King anti-submarine helicopters.

The system is designed to process acoustic information received from listening devices dropped or suspended in the sea.

Using new digital technology, GEC Avionics has developed a device which integrates several components in the previous system. Some of the parts are made by Plessey, the electronics group, which escaped a takeover bid from GEC last year.

GEC's range of acoustic processors was originally developed for the existing Nimrod early warning aircraft, and has since been exported to India, Sweden, the Netherlands and Italy.

The company said yesterday that the enhanced processor design for the Sea Kings would eventually be superseded by an entirely new system for the H101 helicopter range when it replaces the present fleet of helicopters.

Owen denies gulf with Steel

BY IVOR OWEN AND PHILIP RAWSTORNE

DR DAVID OWEN, leader of the Social Democrats, last night refused to rule out the possibility of Mrs Margaret Thatcher remaining Prime Minister in the event of the general election resulting in the Alliance holding the balance of power.

Questioned during a visit to Plymouth, he denied that a widening gulf was opening up between himself and Mr David Steel, the Liberal leader, over the possible future role of Mrs Thatcher in a coalition government.

Told that Mr Steel had said he would not serve under Mrs Thatcher, Dr Owen maintained: "That is quite different from saying you would not do a deal under any circumstances."

MR DAVID STEEL had said earlier in the day that it was "unimaginable" that he could serve in a government under Mrs Thatcher's leadership.

Talking to journalists on his battle bus the Liberal leader said that if Mrs Thatcher lost her majority and there was a balance of power "then she would have lost the confidence of the country and in those circumstances she would not be the right person to lead a new government."

Mr Steel said that Mrs Thatcher had never shown the slightest intention of dealing with problems such as unemployment and electoral reform that concerned the Alliance.

There were other strands of opinion within the Conservative Party that the Alliance would find it easier to work with. Mr Steel said the Alliance would vote against any programme put forward by a minority government under Mrs Thatcher.

"It is unimaginable that we would actually be in a government under her leadership." But if she lost her majority, he added: "I do not think it would be her inclination to stick around." He said he had made it "quite clear" that he

Speaking earlier on the BBC TV programme Election Call, Mr Steel explained that in private discussions he and Dr David Owen had reached agreement on Mrs Thatcher's unsuitability to head a coalition involving the Alliance

Nevertheless at Dr Owen's insistence the Alliance still holds to the view that in the event of a hung parliament it would offer to enter into negotiations with the leader of the largest party in the Commons — whether Mr Neil Kinnock or Mrs Margaret Thatcher.

Dr Owen remains adamant that securing an agreement on the retention of a minimum nuclear deterrent would be his "bottom line" in any negotiations—this rules out any deal involving a non-nuclear defence policy.

Mr Steel has been less specific. While still refusing to accept that the nuclear issue could cause problems for the Liberal element in the Alliance, he has accorded higher priorities to securing agreement on policies to bring unemployment down from the present level of over 3m and on the introduction of proportional representation.

Dr Owen predicted yesterday that the Alliance would hold the balance of power—meaning Mrs Thatcher changing policy over unemployment or Mr Kinnock dropping plans for a nuclear weapon-free Britain.

In a speech at Nottingham last night Dr Owen again asserted that Alliance policies would put 1m back to work within three years on vital jobs using the money now spent keeping them on the dole.

He also confirmed that the incentives in providing for employers to expand their labour force would include a reduction in their national insurance contributions in selected target areas.

Dr Owen stressed the Alliance's determination to prevent trade union extremists regaining the ascendancy and said the Alliance would retain the law restricting the number of pickets to six and making secondary picketing illegal.

In campaigning yesterday Mr David Steel accused the Government of creating the illusion of prosperity by stimulating the economy like "drug pushers" with short term fixes of consumer credit.

Speaking to large crowds in Chelmsford, where the Liberals are challenging a Tory majority of less than 400—Mr Steel said that despite her preaching about good housekeeping Mrs Thatcher had turned a blind eye to "the huge rise in plastic card borrowing."

The reasons were obvious, he said: "With industrial investment still 15 per cent below the 1979 level, any recovery in the economy, has depended on stimulating consumer spending, with more and more injections of credit.

"The trouble is that, like heroine addicts the consumers are taking more and more when the doses are already at a critical level. Total consumer debt has soared from £9bn in 1979 to almost £31bn by 1986."

Mr Steel said that the consumer credit boom was out of control.

"Under the Tories more and more people are now hooked on monthly credit injections. The real culprits are the pushers, Mrs Thatcher and Mr Lawson, who have created an economy which is kept alive only by short term fixes while industrial investment suffers."

Stepping up his attack on Mrs Thatcher at a rally in Nottingham last night Mr Steel said the Prime Minister had a lot in common with Arthur Scargill.

"They both want to go on and on and on in office. They both believe in their divine right not to negotiate with their colleagues let alone their critics.

"They both prefer confrontation to compromise, whatever the cost to their country. They are both shrill to denounce rather than calm to consider a problem."

Knocking on the Commons door

Trevor Humphries

Joan Ruddock: a parliamentary seat will be the fruit of her labour.

Paul Taylor profiles a likely winner for the left wing

JOAN RUDDOCK glides from the stairwell of the drab block of 10 Deptford council flats, smiling as always.

Her straightforward, no-nonsense doorstepping style—"I'm Joan Ruddock, your new Labour candidate. Do you have any questions you would like to ask about Labour policy?"—delivered in an unmistakably Welsh accent, has been well received.

There are no real questions, not even about defence, although as a former chairman of the Campaign for Nuclear Disarmament, 43-year-old Ms Ruddock is among the most eloquent in arguing Labour's unilateralist position.

In the block there are 11 definite Labour voters and one "anti-Thatcher" vote which Ms Ruddock says probably means "one for the Alliance."

This is not too much of a problem in a south-east London constituency where the late Mr John Silkin had a comfortable Labour majority of 6,032. The Conservative candidate, Mr Martyn Punyer, faces an uphill battle and the best hopes of Ms Anne-Marie Braun, the Alliance candidate, ride on the Rosie Barnes bandwagon in neighbouring Greenwich.

On the way into the block in Brockley, south Deptford, a woman mopping out the stairwell with disinfectant and eyeing Ms Ruddock's conventionally smart attire with some suspicion, shouted to the small group of party canvassers: "Are you Labour or Tory?"

The response was Joan's passport to the doorstep. The woman explained she had tried to stop the Conservative canvasser pushing leaflets through the letterboxes and had been acused of being "a Russian" by the outraged Tory.

These are tiring but exhilarating times for the Labour candidate who spends about three evenings a week doorstepping, usually after a 12-hour day which has taken in a tour of local fire stations, under-fives groups or the like.

"I prefer canvassing to anything else," she says. "Whether people are for you or not it is always a challenge," But the real challenge for Ms Ruddock, and one she most relishes, is putting her own brand of intellectual left and Labour Party socialism into action. Her formal quest for a parliamentary seat began in the 1970s and included a lost deposit in the Tory stronghold of Newbury, Berkshire, in 1979.

Her political instincts date back to her Pontypool childhood and conversations with her father, a Tory-voting factory worker. After grammar school, where she met her future husband Keith, now an academic physicist, she went to Imperial College, London, to study genetics. There she became a student activist in the turbulent late 1960s. Her concern about human rights, including those in Britain, led to a job with Shelter, the housing charity.

It was at Shelter that she suffered one of her relatively few serious disappointments, one which was to help confirm her as an ardent feminist. "I applied to be director but I didn't get the job because I was a woman. They made it very clear to me."

Nevertheless, her experience at Shelter and further political activities brought her into contact with the Kinnocks, whom she counts as personal friends.

Ms Ruddock is on the left (she is not unhappy about being on the Alliance's "101 damnations" list of Labour left-wingers), but insists: "There is virtually no policy in the manifesto that I don't wholeheartedly support."

Her Commons priority will be to work to establish an influential Labour left wing. She smiles at suggestions that she is trying to bring the same respectability to the labour left as she did to CND.

She has few illusions about the challenges ahead. In particular she does not relish the prospect of having to compromise, something she says she has never done.

Indeed some of her harshest criticisms—excluding those reserved for Tories—are about parliament itself which she describes as an elite, mostly male "club" where most people have second jobs and which is run on an "incredibly amateur basis."

"I am not interested," she insists, "in going into parliament and never looking out again." To reinforce her concern about a constituency which has most of the blights of a run-down inner1city area in crisis, she moved into the area from Reading earlier this year.

What is virtually certain is that inside or outside parliament Joan Ruddock will continue to be a force to be reckoned with—not least within the Labour Party itself.

Weinberger warns of threats from within Nato

NATO faced threats from within which include disregard "within some circles" of previous moral bonds and shared values, Mr Caspar Weinberger, the US Defence Secretary, said yesterday.

He avoided any mention of the general election or the defence of any policies of any parties during his speech at a ceremony organised by the English Speaking Union, but his comments are likely to be seen as a thinly-veiled attack on the Labour Party's non-nuclear defence policy.

Mr Weinberger said: "Complacency has taken its toll on our alliance. Today we face threats from within and they stem paradoxically from the very democratic spirit that defines our nations.

"It would be terribly naive and worse given the bloodshed we have suffered in this century to believe that free peoples can disengage themselves from the world arena.

"Unfortunately, democracies seem to lose interest very quickly in the complicated and harsh world outside of domestic affairs."

He said Nato remained "freedom's firmest frontier and therefore Moscow's most lucrative target."

Mr Weinberger went on: "Today our alliance is challenged not only by the inherent reluctance of democratic peoples to provide for the common interest, but also by the disregard within some circles of the moral bonds and shared values which united us in the past.

"These continue to provide the motivation and justification for an alliance based on the principles of liberty, equality and the recognition of the most fundamental human rights."

Speaking at a ceremony to mark the 40th anniversary of the Marshall Plan, he said the alliance needed to recapture the idea of preparedness at the heart of the plan drawn up after the Second World War by George Marshall to organise relief for the shattered economies of Europe.

Mr Norman Tebbit, the Conservative Party chairman who shared the platform, spoke chiefly in his capacity as Chancellor of the Duchy of Lancaster.

He avoided any reference to the election campaign, criticising his political opponents only by implication.

Mr Tebbit said membership of Nato brought responsibilities. "And the main responsiblity is not to play fast and loose with the basic understanding upon which the alliance is built."

He added: "Above all one fact is crystal clear. The United States contribution to our defence is vital, a nuclear deterrent to match the Soviet Union's vast strategic nuclear arsenal and a commitment here on the ground of over 300,000 men."

Mr Tebbit added: "I can see a future in which we could safely reduce nuclear forces, but only as a negotiated verifiable measure, seeking also a reduction in the massive superiority of Warsaw Pact forces in conventional weapons—not least chemical weapons—and retaining throughout the means to deter aggression."

Mr Tebbit also attacked "certain people" in the West who seemed to see no difference between the United States and the Soviet Union.

"To use the smug deceptive, trendy phrase, they see them as morally equivalent," Mr Tebbit cautioned.

Looking up: Mrs Thatcher eyes spectators as she visits the Metro Centre in Gateshead during her tour of the north-east.

Warning of anarchy by Tebbit

By Fiona Thompson

MR NORMAN TEBBIT, the Conservative Party chairman, yesterday launched a scathing attack on Labour's industrial relations policy.

Were Labour to win on June 11, trade union bosses would be back in Downing Street and the reforms of the past eight years undone, he said. Strikes would return, jobs and markets would be lost.

"Mr Kinnock would be called upon to pay his debt to union bosses and his own left wing at one and the same time."

Labour would legalise secondary picketing, end pre-strike secret ballots, bring back and strengthen the closed shop, allow mass picketing, and rob trade unionists of the right to take union bosses to court if union rules were breached.

"This is a programme for industrial anarchy and oppression," Mr Tebbit said at a Tory press conference.

"Labour plans not only to increase the power of the trade unions: they also plan to reduce the power of the police to protect those threatened by the industrial chaos." Mr Douglas Hurd, the Home Secretary, produced a Labour Party document published in April, Protecting our People, which he said spelled out Labour's plans. The 1964 Police Act would be amended to give locally elected police authorities statutory responsibility in determining policing policies, priorities and methods.

Mr Tebbit said Labour's twin policy of boosting union power and undermining the police would leave the ordinary citizen powerless against intimidation and violence.

"Scargill would have been the victor at Orgreave in the coal strike. Violent pickets would have prevailed at Wapping."

Under the Tories, he said, Britain's economic performance and industrial relations had been transformed, from being a crying shame at home and a laughing stock abroad.

Mr Tebbit indicated that trade union leaders had kept a low profile during the election because they had already got commitments from Labour if Mr Kinnock won. "I have noticed they have been conspicuously silent in this election. Perhaps they have got their contract and it is one on this occasion they would enforce."

Mr Roy Hattersley, at Labour's London press conference, said the Tory claim that Labour would eliminate prestriks ballots was "clearly preposterous." Rights under common law could not be extinguished, he said.

Inflation could return to 27% level under Labour, says PM

BY JOHN HUNT

PRICES UNDER a Labour government would increase by far more than the 7 per cent conceded by Mr Neil Kinnock, the Labour leader, it was claimed yesterday by Mrs Thatcher.

Giving her morning Press conference in Glasgow, the Prime Minister implied that under Mr Kinnock's policies inflation could rise to the 27 per cent level of the last Labour government.

"Once you start on a policy of inflation it is difficult to stop it," she said. "It would not stop at 7 per cent, it would go on as before." It would be particularly devastating for pensioners.

"It amounts to dishonest money," she said. "A government that is prepared to use dishonest money would not know how to run the economy in a sound way to keep overseas confidence and rising standards of living."

On the question of nuclear defence Mrs Thatcher had a snub for Mr Gorbachev, the Soviet leader, over his remark that she had not learned the lesson of Hiroshima.

She said that Soviet tanks had gone into Hungary, Poland, Czechoslovakia and Afghanistan and she commented that this was an example of the rhetoric of "cold steel."

Britain had learned the lesson that unless it was strong enough to deter an aggressor there was no defence, no security. For that, nuclear weapons were necessary. Conventional weapons were not enough.

She said the Soviet Union had subjugated other countries and shown scant regard for human rights. The manner in which it treated its own people showed exactly how it would treat others.

Before departing by air for Newcastle, Mrs Thatcher dealt vigorously with some tough questioning on Scottish issues. She said she believed Conservatives had a good chance of holding their present 21 Scottish seats despite an opinion poll in yesterday's Glasgow Herald which gave Labour a 26 point lead over the Tories in Scotland.

The poll, carried out by System Three, gave Labour 45 per cent, compared with 35 per cent in the 1983 general election, the Alliance 19 per cent (25 per cent in 1983), Conservatives 19 per cent (28 per cent in 1983) and the Scottish National Party 17 per cent (12 per cent in 1983).

The SNP put these results through its computer and claimed it would mean the number of Tory-held seats in Scotland would be reduced to six this time. It also maintained that the Ayr seat of Mr George Younger, the Defence Secretary, would be one of those lost.

The Prime Minister was subjected to intensive questioning about these results following her brief tour of parts of Scotland the previous day.

"I don't accept that we are faltering," she said. "We are fighting a very vigorous campaign."

She estimated that there had been at least 200 opinion polls held during the campaign so far. "I am not going to comment on every one," she said.

"The main polls are continuing to show us well ahead."

She conceded she would like more seats in Scotland and a bigger proportion of the vote but said the party was getting across its policies which were intended to bring prosperity north and south of the border.

In contrast, she argued, Labour's non-nuclear policy and its proposals to phase out nuclear power would have a "quite devastating effect on jobs in Scotland."

On her return to England Mrs Thatcher went walkabout at the new Metro shopping centre in Gateshead, Newcastle where she was given an enthusiastic reception although one woman told her she was voting Labour.

Later the Prime Minister visited the Black and Decker plant at Spennymoor, which is in the Sedgefield constituency where Mr Tony Blair, one of Labour's junior Treasury spokesmen, had a big majority at the last general election.

Tebbit condemns suspected arson 'outrage'

A SUSPECTED arson attack on a Tory election headquarters in north London was condemned as an "outrage" and blamed on the "extreme left" by Mr Norman Tebbit, the Conservative Party chairman, yesterday.

On a visit to the badly-damaged building in Stamford Hill, he said: "One can only assume if it is arson it was an outrage perpetrated by the extreme left."

He added: "I do not know whether they are members of the Labour Party, Militant Tendency, the Socialist Workers' Party or anything else.

"But all of us in democratic parties would deplore this sort of thing. I am sure Mr Kinnock would deplore this extremely vigorously."

The fire raged through the Hackney North and Stoke Newington Conservative Association's headquarters in Stamford Hill Road early today, causing thousands of pounds worth of damage.

Mr Bryan Gould, Labour's campaign co-ordinator, said: "Everyone condemns this terribleact. If Norman Tebbit has any evidence for his wild claims he should go immediately to the police.

"His statement is an outrageous attempt to accuse his political opponents of a criminal act. He must substantiate his charge of withdraw it."

Peter Riddell disentangles poll findings

Welter of marginal surveys can give conflicting signals

A NOVEL feature of this election has been the number of polls in marginal constituencies. These have produced widely differing results, which contrast with the consistent pattern shown by the more familiar national polls.

The marginal surveys—NOP for the Independent, Mori for The Times, Marplan for the Sunday Express, Harris for Weekend World and a specially commissioned survey undertaken by polytechnics and universities for BBC2's Newsnight programme—have had almost as much attention as nationwide surveys.

These have been Marplan for Today and the Guardian, Gallup for the Daily Telegraph and Harris for the Observer, as well as the two panel surveys for the Sunday papers.

In some respects the marginal surveys have attracted more notice, since in an election where the Tories have maintained a stable and clear lead, anything which has suggested a closer contest has been newsworthy.

The argument for such polls is that what matters in elections is the 100 key marginals rather than the remaining 500 or more safe seats for one party or another. The suggestion is that such constituencies may behave differently from the average, though this has not generally been true in past elections.

The snag with such polls is that they have produced such contradictory results. For instance, a Harris survey of 100 marginals carried out on May 27-29 indicated an overall Tory majority of 22.

However, a Mori survey of 84 marginals, undertaken on May 29-30, pointed to a Conservative majority of 140. And the markets were given a fright by a Newsnight survey of 60 marginals, conducted between May 29 and June 1, which was interpreted as meaning that the Tories would fall short of an overall majority.

At the same time, the stable findings of the main national polls have pointed to a Tory majority of 60.

Part of the problem may be the selection of marginals. For instance, the Labour share of the vote in marginals where it came second to the Tories in the 1983 general election is shown as varying between 34 per cent and 43.4 per cent between the three polls. The Alliance share in key Tory-held marginals varies between 29 and 36 per cent. And no such fluctuation over the period of interviewing is suggested by national surveys.

Significantly, a much smaller variation is shown in the level of Tory support in both types of seat.

The explanation may be that the choice of marginals requires more care. For instance, the Alliance argues that several of the seats counted as marginals are where it performed relatively well in 1983 because its candidate was an ex-Labour MP who benefited from a personal vote and no such boost will be enjoyed this time.

None the less, the Alliance's poor performance in some of the marginal surveys may reflect a levelling-off of support in seats where it has been pressing for a long time like Chelmsford

In Labour target seats, the conflicting findings may be explained by regional variations in types of marginal seat. Hence, both constituency surveys and party reports suggest that Labour is doing better than the national average in Scotland, Yorkshire and Lancashire and worse than average in the Midlands.

In short, while both Labour and the Alliance may be doing better in some, though not all, their target seats, there are clear defects in the coverage of the marginal surveys. By definition, they cannot all be right. But they may not be all wrong. So, for the overall picture, the national surveys are still the best guide.

Hattersley claims Tory sell-offs hit mortgages

BY LISA WOOD

MR ROY HATTERSLEY Labour's deputy leader, said yesterday that the Conservative privatisation programme had led indirectly to dearer home loans and mortgage queues.

Mr Hattersley, in a statement, said building society accounts had been run down to buy shares in privatised companies.

"The result has been that building societies have had to hold up their interest rates to attract funds from other sources," said Mr Hattersley.

"This has prevented them cutting their mortgage rates in line with recent falls in base rates. We are also beginning to see the re-emergence of mortgage queues as the frantic grab for underpriced privatisation shares has squeezed out first-time home buyers."

He said the position under Labour would improve immediately. "We will put a halt to the waste and expense of the Government's privatisation programme. And we will start to repatriate City assets sent abroad under the Conservatives. This will help to force down interest rates."

Why politicians of all parties have a tough job to lure the unemployed

Tony Jackson seeks opinions on the dole queue

STAN, a 54-year-old chef who has been out of work since 1982, reacted indignantly to my asking whether he would turn out to the polls on June 11. "I won't waste my vote—I never do. It annoys me the people who waste their votes and then start crying afterwards."

It is five years since I last went to the local dole office with my UB40 in hand (you should attend Box 4 at 9.15 am on Tuesday, and every second week thereafter). But I know what my reaction would have been to anyone asking me questions as I signed on, and writing my answers in a notebook.

Trying to establish how many unemployed people are going to vote and for which party, and what they regard as the main issues, is tricky.

Again, managers of Jobcentres have been instructed by the Department of Employment to eject journalists trying to conduct interviews on the premises. (This is not quite as sinister as it sounds, being merely an extreme interpretation of the rule that government premises may not be used for political purposes in the run-up to an election).

But on the basis of scattered conversations in Birmingham and my local patch in north London, some patterns start to emerge.

Nick is a young native from Birmingham, made redundant successively from hotel work and a company making roofing felt ("they brought in new technology, so they only needed three people instea of 20"). He will vote Labour this time, not having bothered ot vote in previous elections, but is unsure how many jobless will follow his example.

"A lot of unemployed people are isolated, sitting at home watching telly and reading the Tory press. They get duped into believing things like job schemes. Unemployed people do think that unemployment is the main issue, but a lot of the— aren't going to vote.

Jim Denham, who works at the unemployment centre in Birmingham, has been canvassing for the Labour vote. "Thatcher has succeeded in making unemployment seem a fact of life, an act of God. A lot of unemployed people may say on the doorstep how much they hate Maggie, but you always have the doubt of whether they'll get it together enough to go out and vote."

Even among those who intend to vote, most that I spoke to treated the promises of job creation from the various parties with contempt. Mark, a 21-year-old from Birmingham, said: "Even if Labour is promising 1m more jobs in two years, that isn't enough. The Alliance is promising 600,000, but there would be no real pressure on them to do it. They represent the people who are in work but have a conscience about unemployment. They make the promise, and that keeps them happy."

The real issues among those on the dole is whether a re-elected Tory Government would either cut unemployment benefit or force claimants to work at dole-level wages.

This applies particularly to the Youth Training Scheme. If that were made compulsory, said Nick, "I'd have to work for what I'm getting now—and no employer is going to pay decent wages or set up apprenticeships if he can get workers for £25 or £30 a week."

Training schemes in general are viewed with hostility by those who have been on them. "The YTS is used for slave labour," said Nick. "I know kids who have been on five or six YTS programmes, and it's not like an old-fashioned apprenticeship where you work through the skills. It doesn't lead anywhere."

The point is echoed in London by Stan, a lifelong Labour supporter. "The saddest thing is the way we're losing skills. There aren't any apprentice-bricklayers, chippies or whatever—but there are people like me who are tradesmen, who can't get employment because their age is against them. They could be teaching the trades to younger people."

In the end, though, almost everyone I spoke to was going to vote Labour. The chief reason, besides the preceived threat of a squeeze on the unemployed from the Conservatives, was simple. As Nick put it: "Labour isn't offering much of an alternative but, as unemployed, putting pressure on Labour is our only chance to make inroads into government."

one of cynicism. "Where I used

The abiding impression is to work," Mark said, "there were a lot of black people who said they weren't going to vote, that all politicians were the same. And so they are. You only have to look out of the window here to see things to be done and unemployed people to do them—so why is it so difficult to put them together?"

UK NEWS—THE GENERAL ELECTION

PM accused of smear tactics on trade unions

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

MR NEIL KINNOCK, the Labour leader, yesterday dismissed Mrs Thatcher's warnings of a Labour government dominated by trade union bosses as the fantasy of someone who was becoming increasingly desperate at the prospect of defeat.

Mr Kinnock defended Labour's recent attacks on Mrs Thatcher and also attempted to maximise the reported difference of opinion within the Alliance leadership over its prospects.

Giving his daily press conference in Bristol, he rejected as "complete rubbish" the suggestion that the unions were being kept out of the way until after the election and said he had shared several platforms with them.

He claimed that the more intensive were warnings from Mrs Thatcher and some of her ministers about the influence of the unions on a Labour government, the less they were going to be believed by the voters.

Mr Kinnock accused Mrs Thatcher of using scare tactics in an act of frenzied desperation and said the idea of trade union domination "has no foundation in truth or in future possibility whatsoever and the trade unions know it and have never sought such status."

He added: "The elected Government will be running the country. It will seek the advice of employers, of experts of various kinds and from time to time of trade unions. That will be the relationship and it will contrast with the conduct of the current government which does not take advice from anyone but which believes it can run the country without the benefit of experience or expertise from anyone."

The Labour leader denied he was running a campaign which suggested he too would head a one-man government, claiming he believed in working with a team, although someone had ultimately "to say yes or no."

Defending the series of attacks on Mrs Thatcher's leadership, he said that by assiduously gathering for herself a reputation, she had made it an issue. "Nobody else has sought to make it an issue and, indeed, when the Prime Minister commenced the campaign by announcing her desire to go on and on and to accomplish other objectives, like the abolition of socialism, it is hardly much wonder that both her friends and her foes have a particular attitude towards the way she has conducted government."

Mr Kinnock again rejected any possibility of negotiating with the Alliance in the event of a hung parliament, saying he had "no desire to offer them borrowed vitality."

Making it clear that he expected an outright Labour win, he added: "My position has been clear right from the start. No deal, no horse-trading, no co-operation that involves them in any way in government or makes our involvement in government conditional upon their convenience."

Only Labour, he said, could throw out Mrs Thatcher and it was increasingly obvious that "whatever the Liberals and Social Democrats can do there is not a hope of them being a serious rival to topple the Tory Government, whereas we are going to do precisely that."

Trevor Humphries

Mud-slinging Kinnock-style: the Labour leader does his bit for the Construction industry on a council site in Bristol.

Labour pledges £3.8bn aid package for housing

BY OUR POLITICAL CORRESPONDENT

LABOUR yesterday unveiled a £3.8bn, two-year package of measures principally designed to expand and modernise Britain's housing stock. But it said it would not give any target for the number of homes it expects to see built over the period.

Mr Neil Kinnock, the Labour leader, said in Bristol that fewer homes were now being built in Britain than at any time since the last war and Labour intended "to restore people's rights to, and expectation of, a decent home."

"We now have in Britain a young generation unable to buy because of price levels and unable to rent because of building levels. We have an older generation unable to meet the costs of staying in their own homes, but unable to get out because of the absence of any alternative," he said.

The Labour proposals form part of the party's emergency £6bn-a-year plan to reduce the number of unemployed by 1m in two years. Although it is aimed at increasing house-building and encouraging housing repair activity, Labour claims it is impossible to quantify the impact of its package.

Mr Jack Cunningham, the shadow Environment Secretary, said he was not able to forecast the number of new and improved homes which would result from its plans because of "a number of factors outside government control." He said Labour had deliberately not set itself any targets "because we are starting from such a low base and with a run-down building and construction industry."

Key elements in the package include giving local authorities the right (removed by the Tories) to use the receipts from council house sales to build new public sector homes.

Labour says that this would have enabled councils, since 1979, to double their house-building programmes. There will also be an extended and improved system of improvement and crime prevention grants.

Labour says it will maintain the council tenant's right to buy. Existing discounts for tenants will remain in force, but they will be offered an alternative cash sum—equivalent to the appropriate discount—to help them buy another property in the private sector.

Mr Jeff Rooker, Labour's housing spokesman, said the intention would be to offer tenants the idea that the rent they were paying was not "going down the drain and helped provide them with a stake in their home."

Labour says it is committed to the expansion of home ownership, but yesterday confirmed its intention to limit mortgage interest tax relief to the standard rate. The party says it is unfair that people on five times average earnings should receive relief at 60p in the pound when most home-owners now receive it at 27p.

To help people buy their home, a Labour government will ensure portable mortgages are given in advance and put a two-week time limit on local authority searches. It says bridging loans will be made more easily available to help break the house buying chain and there will be safeguards against "gazumping."

Richard Evans on a seat where defections to Labour could let in a Tory

Isle of white-hot Conservative hopes

THE LABOUR PARTY captured a lower percentage of the vote at the last general election in the Isle of Wight than in any other seat in the United Kingdom—a miserable 2.4 per cent. The thatched cottages, neat villas and trim lawns on the island do not provide fertile territory for the people's party.

Yet it is the Labour vote that will almost certainly hold the key to the outcome of one of the most fiercely fought contests in the south of England with the Conservatives determined to win back from the Liberals a seat they have always regarded as rightfully theirs.

Mr Stephen Ross, the popular Liberal MP who captured the seat in 1974 with a sensational victory over the Conservatives, hung on in 1979 when he escaped defeat by 350 votes, but he is stepping down. His majority last time was a more comfortable, but still vulnerable, 3,500. "This is far and away the best chance we have ever had," says Miss Anne Wotton, the Conservative Party agent.

Many of the signs are certainly promising. The Conservatives have been taking seats or putting pressure on the Liberals in local government by-elections, for the past year, and last month they captured Medina Borough Council, Liberal-controlled for eight years, which covers the north of the island.

The Liberals, regarded in recent years as the establishment party on the island, now retain control of only the county council.

Mr Ross's successor, Mr Michael Young, a former Conservative Research Department aide to Mr Edward Heath, until he resigned from the Tory Party in 1982, in protest at Thatcherite policies, clearly regards himself as the front runner on the grounds that he is the best candidate.

He is certainly smooth and persuasive, in manner much more like an archetypal Conservative than the Tory choice, Mr Barry Field, 40-year-old director of a family undertaking concern.

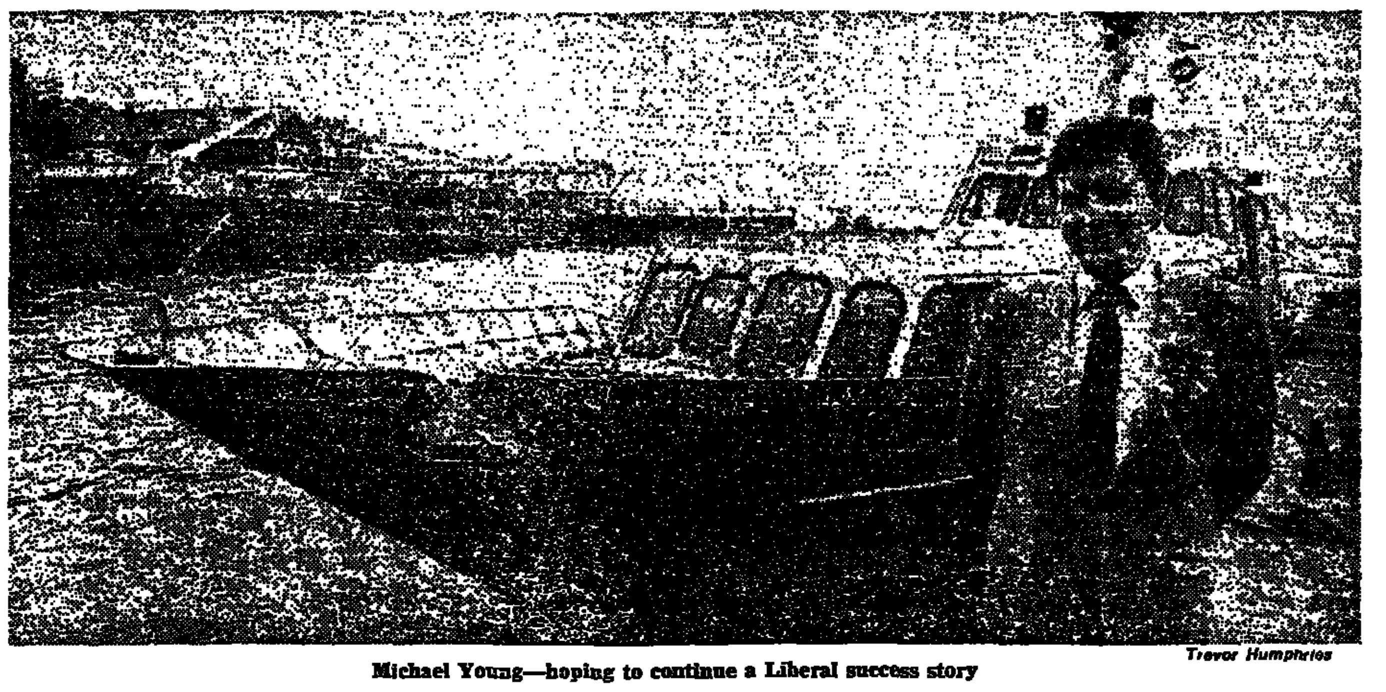
But there is a question mark over how readily Mr Young is being accepted by the reserved islanders, who need time to get to know outsiders. Unlike Mr Field, and the Labour candidate, Mr Kenn Pearson, he has few close ties with the Isle of Wight and his manner is almsot too efficient, too detached, too calculating.

"Unlike Stephen Ross he is not the right man for the island. He doesn't care enough about it . . . he just cares about Michael Young," said a political rival woundingly.

But the energetic Mr Young has given the Tories a nasty jolt before. He got within 552 votes of winning the Penrith by-election when Lord Whitelaw was made a peer.

Mr Field is in some ways almost a curious choice for what could again become a safe Conservative seat. He has very little political experience and has never fought a parliamentary seat although he became an Isle of Wight county councillor a year ago.

He canvasses assiduously, but has otherwise not shown a particularly high profile in the constituency. His rivals claim he is not keen to meet them on joint platforms. With an opponent like Mr Young a more aggressive stance would probably be wise.



Trevor Humphries

Michael Young—hoping to continue a Liberal success story

The dominant issue stressed in all three local manifestos is unemployment which rises to

17 per cent out of season and is above the regional average throughout the year.

The island has a high proportion of pensioners so pensions, social services and medical care could be an issue that adversely affects the Tories following the closure of local hospital wards on cost grounds. And there is constant grumbling about the high cost and irregular service of the ferries and hovercraft to and from the mainland.

Posters and stickers, particularly from the Liberals, are displayed all over the island but there is also evidence on the doorsteps and from canvassing returns of a large element of don't knows and how many of these Labour capture will probably decide the outcome.

Until Mr Ross's triumph 13 years ago, the Labour Party was the second party but in recent elections its vote has got so squeezed it has almost disappeared.

The trend was not helped in 1979 and 1983 by the choice of a Militant candidate whose views were simply anathema to the locals. "We must have had a death wish. We were self-destructive," says Mr Robert Jones, the Labour agent. He is soft-spoken and articulate or "soft-spoken and artichoke" as one newspaper misprinted last week.

Labour started the campaign from an extremely modest base of 1,800 votes, out of a total electorate of 100,000, the biggest in the country. The local party has been purged of Militants, and the present candidate, Mr Pearson, is a personable Kinnockite, a financial planning consultant with Allied Dunbar.

He is a unilateralist but as two of the island's biggest employers, Westland Aerospace and Plessey Radar would benefit from a switch to conventional weapons this is not necessarily a political handicap.

Mr Pearson's aim is to build up the Labour vote particularly in pockets of support in Cowes and Ryde—where the Liberal vote "is as soft as mushy peas" according to Mr Jones—so that Labour again eevntually becomes the natural alternative to the Conservatives. If he half succeeds enough votes could be denied to the Liberals to let the Conservatives in.

ISLE OF WIGHT: 1983 S. Ross (Lib) 38,407; Mrs V. Bottomley (C) 34,904; Mrs C. Wilson (Lab) 1,828; B. McDermott (IWPP) 208. Majority: 3,503. Turnout: 80 per cent.

Candidates: B. Field (C); K. Pearson (Lab); M. Young (Lib).

Hattersley issues challenge over 'poorer' families

BY LISA WOOD

Mr Roy Hattersley, Labour's deputy leader, challenged Mrs Thatcher yesterday to admit that Tory policies could mean many famitlies being about £25 a week worse off.

Mr Hattersley said his information was based either on parliamentary answers given by ministers or by authoritative outside bodies.

He claimed that even if VAT was not imposed on food, the VAT extension, which the Tories intended, would cost the average family an extra £5 a week; the introduction of a poll tax to replace rates would add more than £4 a week; increases in charges — including school meals — would cost an extra £4.50 a week; and rent rises imposed on local authorities an extra £12 a week.

Mr Hattersley said that throughout the campaign Mrs Thatcher had persistently refused to talk about her plans and policies. He said: "If the dodging and darting continues through the last week, the people of this country will know she dare not admit the true consequences of voting Tory."

Mr Hattersley said his sources were the 1985 Family Expenditure Survey; an interview that Mr Nicholas Ridley, the Environment Secretary, gave to New Society magazine; a Civil and Public Services Association analysis of the poll tax; and a parliamentary answer by Mrs Angela Rumbold.

He declined to elaborate on what would be the effect of Labour's plans to increase taxes.

Abolition of the married man's tax allowance was part of Labour's long-term review and would be brought in in a way that would ensure there were no significant losers.

Asked about a Labour government's relationship with the trade unions, he said it would be one that was "healthy in a free and democratic society." He said Labour would work with the Trades Union Congress and the Confederation of British Industry to draw up a national economic assessment.

Mr Bryan Gould, Labour's campaign co-ordinator, quipped that the CBI had alread been in touch to inquire about the likely date of the proposed economic summit.

The CBI later denied it had made any formal contact with Labour over a summit although a spokesman said the CBI had a "dialogue" with all the political parties on policy.

Referring to the timing of the summit, Mr Hattersley said: "I suspect the CBI will be in the Treasury before Polaris is in Chatham Dock," a reference to Mr Neil Kinnock's pledge to decommission Polaris as soon as Labour was in power.

Several Bs in Biffen's bonnet

MR JOHN BIFFEN, the Leader of the Commons, yesterday caused further ripples in the calm waters of the Conservative campaign by suggesting that the party's education plans required increased public spending.

Speaking in Cheswardine, he said the Conservative educational case rested upon "the three Bs of post-war eduation; Butler, Boyle and Baker." He did not mention the longest serving post-war Conservative Education Minister, Mrs Thatcher.

His speech will not have increased his already decreasing chances of remaining in her Cabinet after the election.

Mr Biffen stressed the commitment to education of the three Bs. "The Butler Education Act of 1944 was central to the reconstruction of post-war Britain. Edward Boyle in the 1960s) demonstrated a deep commitment to improving higher education. Kenneth Baker now takes up the torch."

He went on to stress that "Conservative educational policies must have proper funding. This is not an idle comment.

"Success carries a price tag. School spending per pupil has risen steadily over the lifetime of this government. That sense of financial commitment must be taken forward."

Williams criticises lack of research cash for industry

BY FIONA THOMPSON

THE ALLIANCE yesterday hit out at thet "inadequate" education system which was blighting Britain's chance of competing in the field of high-technology industries.

Mrs Shirley Williams, the SDP president, said at an Alliance Press conference: "Increasingly, one is looking at an economy that seems to expect the future to consist of people selling hamburgers to one another."

The lack of research funding was resulting in a brain drain that was slowing the pulse of British technology.

Dr David Owen, the SDP leader, said the country was losing 1,000 graduate technologists and scientists every year.

The rate of taxation was not the reason that so many were going overseas, said Mrs Williams. It was the lack of funding for research and equipment.

'It is desperately sad. We are destroying Britain's seedcorn. The number of technicians and technologists in training — the shock troops of the new industrial revolution — fell by a quarter between 1979 and 1984. The Government does not seem to realise that new products and process grow out of basic research."

Britain's most valuable natural resource was its people, said Mr Paddy Ashdown, Alliance education spokesman. "Their brains, skills and artistry have been the foundation of our past wealth. And they wil be the only basis for our future prosperity when North Sea oil has run out."

But this precious capital was being "squandered and frittered away by an inadequate education system and a Government which does not care," he said.

"It is not our children who are failing our schooling system; it is our schooling system which is failing our children."

The UK high-technology industry was growing at only half the world rate, held back by a shortage of 30,000 graduates, he said. "The Tories believe we cannot afford to invest in education—the Alliance says that we cannot afford not to."

The Alliance priorities on education are to double the proportion of 18-year-olds in higher education by the year 2000; enable everyone over 18 to have a period of free further education; restore cuts in benefits to students and boost the real value of student grants by 15 per cent; implement a crash programme to meet specific skill shortages; encourage more pupils to stay in education afte rthe age of 16 by introducing an allowance; and bring education and training under one government department.

Rosette makers still coming up roses

By Ian Hamilton Fazey, Northern Correspondent

WITH red roses retailing in Manchester at 90p per bloom and silk imitation fetching £1.49 each, the Labour Party has pushed up its election expenses considerably by adopting the flower as its symbol.

Common or garden rosettes are much cheaper, wholesaling at only £26 per 100 at the bottom of the range. Although some rosettes can cost £250 per 100, these are specials, usually with an enamelled badge surrounded by pleated velvet and silk points, with 12-inch silk streamers to flutter in the breeze.

Some politicians are wearing up-market rosettes. Mr Alastair Burt, defending Bury North, has a large, bespoke velvet and silk one with his name in the middle and that of the Conservative Party blocked out using real gold foil on his streamers.

Mr Kenneth Baker, the Education Secretary, has a similar one, and Mr Douglas Hurd, the Home Secretary, was presented with his when he went campaigning in Accrington. Mr Norman Tebbit, the Conservative chairman, has one awaiting his arrival in the Lancashire town, too.

Mr Stuart Duhan, who owns the factory where the rosettes were made, is a cousin of Mr Ken Hargreaves, Conservative defender of Hyndburn. He presented them as gifts.

Accrington is a major centre of UK rosette production, with two businesses specialising in it. It shares this distinction with Bristol, and there are two competing companies in Yorkshire and one in the north east. In addition, there are a few people who operate on a part-time basis.

Mr Duhan and his partner Mr Geoffrey Lord started the Trophy and Rosette Award Company 10 years ago. The rosette side grew out of its activities in trophy supply and manufacture.

Its Accrington rival is Prestfield Fabrics, started 12 years ago by Mr Robert Schofield. He does trophies too, as do most of their competitors, but Mr Schofield claims that his is the only business to have started in rosettes alone.

Both companies turn over more than £1m a year. Mr Duhan employs 48 people and Mr Schofield more than 100—though only 20 on rosettes—supplemented by 12 outworkers. Mr Duhan praises the Japanese sewing machines that stitch the products, while Mr Schofield says that this does not solve the problem of a shortage of skilled machinists in the area, despite 13 per cent unemployment.

The main difficulty in the rosette business, however, is its seasonal nature. Elections are a minor diversion, as a tour of Mr Duhan's shopfloor reveals. The South Shropshire Hunt Pony Club and the Slough Lions are the sort of organisations that keep the industry alive.

Political parties that failed to anticipate a June election and order early were too late, although both Accrington companies have been able to do some quick local supplies. Both claim to show impartiality between customers, though Mr Duhan says that his family connections inevitably get him more Conservative Party business than from Labour.

LABOUR'S WEALTH TAX PROPOSALS

Capital transfer tax experience leaves party unmoved

BY CLIVE WOLMAN

OF ALL the party manifesto commitments, Labour's proposals to introduce a wealth tax appear to have caused the most anxiety to personal financial advisers and their clients.

But the proposals are neither new or radical. The 1974-79 Labour Government produced a green paper on wealth tax and set up a select committee to examine the subject in 1975 (which however failed to reach any form of consensus). And most western European governments, of both left and right, including West Germany, have introduced or maintained some form of wealth tax.

Compared with these and the earlier Labour plans, the current wealth tax proposals have been generously diluted. Neither the Labour manifesto nor Mr Roy Hattersley, the shadow Chancellor, has provided any details of how the tax would operate. But Mr Hattersley has made it clear that it would apply only to the ultra-wealthy, "the Duke of Westminster and a few others."

Other statements from Labour spokesmen suggest that only the top 1 per cent of wealth owners, about 200,000 households, would be subject to the tax at a rate of probably 1 per cent per year, which implies a minimum threshold of wealth of about £500,000.

Professor Tony Atkinson of the London School of Economics estimates that the tax could raise about £500m a year, equivalent to slightly less than 0.5p on the basic rate of tax. Mr Hattersley said earlier this week that the main purpose of the tax was not to raise revenue but to reduce inequality.

Many economists are critical of this approach. One of the leading authorities on capital taxes, Professor Cedric Sandford, of the University of Bath's Centre for Fiscal Studies, points out that most European wealth taxes, in contrast to Labour proposals, have a low threshold and are administered as an adjunct to income tax.

France and Ireland, the two countries which had wealth taxes most similar to the Labour proposals, have abolished them on the grounds that they were detrimental to economic growth and imposed excessive compliance and administration costs, he says. In Ireland's case, these costs amounted to well over one-quarter of the tax collected.

There are four main criticisms of wealth tax: its underlying economic rationale, the difficulties of defining and evaluating wealth, the costs of compliance and the ease of avoidance. Labour's statements so far show little evidence of understanding of any of them.

If the underlying rationale is to reduce the inequality of wealth, a more effective instrument is probably a tax on gifts and bequests. According to Professor Sandford: "It is much better to strengthen and improve death duties, striking at the main cause of inequality, inheritance, and catching the wealth of the wealth creators when their dynamic has necessarily been removed from the scene."

The last Labour Government introduced a tax, capital transfer tax, in 1974-75, but it was severely emasculated during its planing and parliamentary stages with special exemptions granted for lifetime gifts, spouses, farms and small businesses. In addition, Labour failed to get to grips with many of the problems of wealth held in trusts. Between 1979 and 1986, the Conservative Government diluted the effectiveness of the tax much further. The Labour Party is pledged to do no more than restore the 1979 CTT position.

The biggest drawback of a tougher capital transfer tax is that it bites only once a generation. If the Conservatives remain committed to reversing Labour's measures once again, the tax will never bite on many families' wealth. Which families pay and which do not pay will be a pure lottery. A wealth tax thus has the attraction of being less arbitrary than a politically vulnerable CTT since it will bite regularly every year.

The main problems of definition raised by a wealth tax are whether pension rights and possible bonuses on life assurance policies should be, and can be, included in wealth, and whether special exemptions should be given for assets which cannot easily be sold to pay the tax. These would include private homes—the largest single component of wealth in the UK—farms and private companies.

The Green Paper, though not all the members of select committee, proposed to exempt pension rights because they could not be sold and were difficult to value. However, actuarial techniques and changes in pensions law would now permit reasonably accurate evaluations. And if pensions were exempted, the rich would be given a further incentive to place more of their wealth in executive and personal pension plans. Wealth-holders might be allowed to defer the tax on their illiquid assets, such as houses, rather than being granted special exemptions.

A high wealth tax threshold woul densure that the potentially heavy compliance costs would ensure that the poten- who probably already employ accountants and tax advisers. The annual process of evaluation could be simplified if all private homes were regularly valued for rating purposes, as they used to be until 1973, and taxpayers were allowed to place their own values on all their other assets. They could be deterred from under-valuing these assets by allowing the Inland Revenue to acquire them at whatever price their owners stated, a practice followed in some European countries.

As in all capital taxes, the main scope for avoiding wealth tax will be through the use of trusts. Discretionary trusts, which have no clear beneficial owner for legal purposes, could be subjected to wealth tax in their own right. The value of assets in the trust could be kept below the minimum threshold by the simple device —often used in CTT planning —of setting up a battery of mini-trusts.

The attentions of the Revenue could also be avoided by the use of offshore trusts. But, as Mr Howard Scott, a tax partner of the accountancy firm, Stoy Hayward, suggests, a Labour government could tackle these devices by continuing to impose wealth tax on whoever originally placed the assets in the trust.

Beyond all this the most serious criticism of Labour's proposals is that the party appears to have learnt little from its failures in introducing CTT. As the architect of the CTT legislation, Mr Joel Barnett (as he then was) admitted in 1984: "My only excuse for the slipshod nature of the tax was that I did not have enough time We came into office unexpectedly after the miners' strike and nothing had been prepared properly by the party."

Building on the jewels

Jane Rippeteau on how the Pasteur Institute plans to spend the Windsor windfall

THE PASTEUR Institute in Paris has decided how it will spend the FFr 260m (£26m) it will receive in proceeds from the spring auction in Geneva of the jewels of the late Duchess of Windsor.

The duchess died last year. She had made the Institute her main beneficiary.

The money — half as much again as the Institute's current budget and five times what it expected to receive — is earmarked for capital construction. This will include a new building for research on retroviral diseases, particularly cancer and acquired immune deficiency syndrome (AIDS), according to Maxime Schwartz, deputy director of the Institute.

The funds, however, will not be used to increase the Institute's specific AIDS research budget of about FFr 30m (£3m) this year.

Professor Schwartz says the Institute had plans for a capital construction programme, but that until the Windsor windfall "we were very uncertain how to finance it." He says that now a more elaborate programme is possible sooner, adding: "The money is extremely important to us."

The spending plans include:

- The new retroviruses building. The original design for the laboratory is being modified for enlargements. Work will begin in early 1988 and be completed by 1990. Researchers at the Institute were among the first, in 1983, to identify and isolate an AIDS virus.
- An extension to the Institute hospital to house a new lab for analysing bacteria and tissue taken from patients.
- Enlargement of facilities used to produce allergenic compounds. Sale of these chemicals, which are used to test people for allergies, are an important source of income for Pasteur. Sales, along with billings for contract testing of compounds, make up 29 per cent of this year's budget, according to the Institute.
- A new library. The Institute's rich collection is in cramped quarters — some volumes are stacked in the hallways—in a historical monument: the house where founding scientist Louis Pasteur lived and worked. Visitors may view the sombre rooms of overstuffed furniture, research instruments and even an urn containing the ashes of the Nobel Prize-winning biologist Elie Metchnikoff. Professor Schwartz wants to move the library to fresh quarters within three years.

The Institute's annual budget has grown tenfold in ten years to FFr 500m for 1987, with funds from the French government, sales of specialised products, royalties and private gifts.

Despite the sudden increase in revenue, none of the new money is destined for salary increases or for use in competing to hire outside experts, says Schwartz. Pasteur, he says, will continue to rely on "the reputation of the place" to attract foreigners, who now comprise 20 per cent of the Institute's permanent scientists.

He says last year the Institute recruited the director of a US biotechnology company's Geneva office even though the individual took a pay cut. A specialist in antibiotics, the scientist, Julian Davies, wanted to "have a lab and do research again," says Professor Schwartz. Davies was given charge of one of two newly-opened units in the Institute's biotechnology centre.

However, the Institute recently lost out on hiring a 32-year-old Swiss scientist even after making exceptions to offer the equivalent of £18,000 plus a four-year head-start on promotions. At a private US competitor "he would be offered at least 50 per cent more than that if not double."

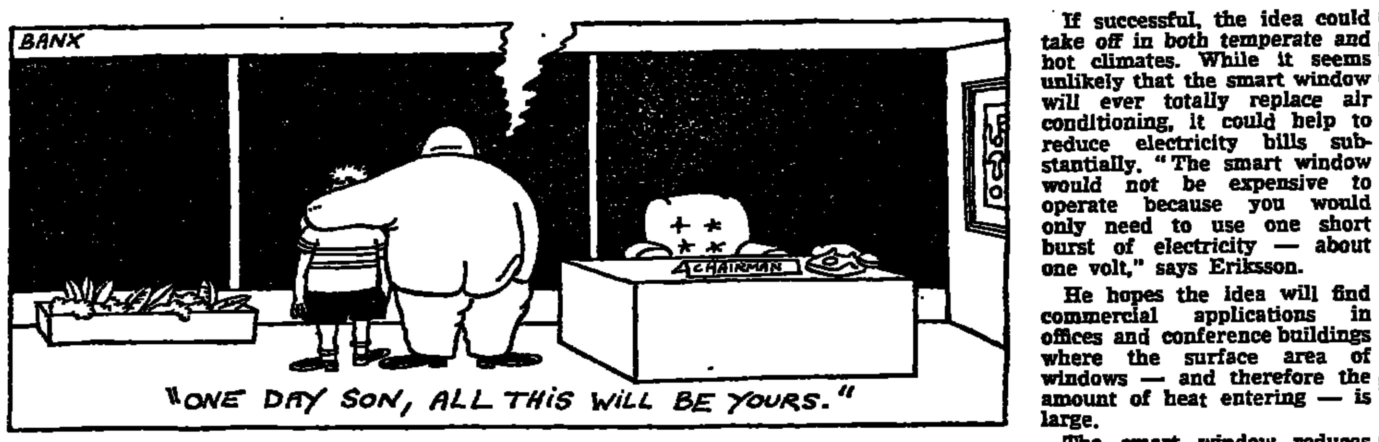
Professor Schwartz says salary constraints stem from maintaining pay equality among scientists working at Pasteur, some of whom are paid by the Institute and some by outside organisations. Of 500 permanent scientists, half are paid by France's National Center for Scientific Research (CNRS), the National Institute for Health and Medical Research (INSERM) or by universities, under set salary schedules. "To suddenly create large differences would create personnel problems."

In addition to research, the Institute, founded in 1887, has relationships with two French Industrial companies to commercialise products.

Dianostic tests—including the one developed to test blood for AIDS — are marketed through Diagnostics Pasteur, held 51 per cent by Sanofi, a subsidiary of Elf-Acquitaine. Vaccines are sold through Pasteur Vaccins, owned 51 per cent by the Marieux unit of Phone Poulenc. (There is no vaccine for AIDS yet.) The Institute earned 10 per cent of its 1987 budget from sales through these two units.

A new role for the office window

Sara Webb, in Stockholm, reports on a fresh approach to controlling heat and light



IF Mr Tord Eriksson's dream comes true, office life in a hot and humid climate could be transformed for the better. Instead of running up enormous electricity bills by using ear-shattering air conditioning non-stop while the tropical sun beats down through the glass, both the room temperature and indoor light could be controlled by the window glass itself.

Eriksson's brain child, called the smart window, is designed to control the transmission of visible light and solar energy, rather like invisible roller blinds inside the window. In the office of the future, it could help to cut the electricity bills for both air conditioning and heating, and make life behind glass more comfortable for the staff, if not for the plants.

In the smart window, the glass is treated in such a way that, when a voltage is applied, the amount of heat radiation transmitted is either reduced or increased, affecting the room temperature.

This is achieved by coating the glass, first, with a transparent conductor, then with an electrochromic coating, an ion storage layer and finally another transparent conductor.

When a voltage is applied to the surface, the ions start to move from their storage place into the electrochromic coating, which is usually a lattice made up of tungsten oxide or nickel oxide. It changes colour when ions enter the lattice.

When the reverse voltage is applied, the ions move out of the coating and back into the storage area, where they are invisible to the naked eye, bleaching the window again. The voltage does not have to be applied continuously — the window just needs one burst and then it can be disconnected.

Eriksson and his partner, Mr Claes-Goeran Granqvist, at Chalmers University of Technology in Sweden, have already developed coatings which are used on prototypes of the smart window. They have set up a private company, CoAT, which with Leybold Heraeus, the West German manufacturer of vacuum coating equipment, last December won approval for Smart Windows from Eureka, the organisation which encourages co-operation between western European countries on research and development.

The researchers have nearly finished the preliminary phase and estimate that the project should be completed within four years, at a cost of between SKr 15m and 20m (£1.9m). They hope eventually to sell the coatings to industrial customers.

If successful, the idea could take off in both temperate and hot climates. While it seems unlikely that the smart window will ever totally replace air conditioning, it could help to reduce electricity bills substantially. "The smart window would not be expensive to operate because you would only need to use one short burst of electricity — about one volt," says Eriksson.

He hopes the idea will find commercial applications in offices and conference buildings where the surface area of windows — and therefore the amount of heat entering — is large.

The smart window reduces the amount of visible light transmitted by between 15 and 80 per cent. Eriksson believes this does not necessarily rule out applications in the home in Sweden where daylight hours are very short in winter.

Another application could be to use the coated glass in car mirrors to reduce the dazzle.

In cold climates, heat loss through windows could be reduced by about 30 per cent if the inner window in the double glazing were coated.

The inspectors put to the test

OUT OF THE BACKROOM

by David Fishlock

SIR ALAN COTTRELL, Britain's foremost metallurgist and a former chief scientific adviser to the government, has just opened a £3.5m laboratory which, through an intellectual game of hide and seek, will raise the quality of UK engineering.

The inspection validation centre at Risley, in Cheshire, ensures that inspectors searching for flaws in highly stressed engineering structures have the necessary instruments and skills to find any weakness. To achieve this a battle of wits takes place between centre staff, who hide minuscule faults in full-scale sections of a pressure vessel, weighing up to 50 tonnes, and inspectors who are out to convince the centre that they can locate the defects without fail.

The centre's specific purpose is to make sure of the safety of the pressurised water reactor (PWR) destined for the Sizewell nuclear power station. But as researchers uncover better and cheaper ways of testing, the centre is expected to find wider applications in British engineering, for example in avoiding catastrophic collapses of off-shore structures and boiler plant.

However, Cottrell's contribution goes way beyond this week's ceremonial, for the centre's origins lie in a scientific conflict of the mid-1970s between him and proponents of the PWR. Cottrell maintained that inspectors could not be relied upon to find every flaw capable of growing, under the stresses of service, to the point of sudden failure. He made the point in his "leak-before-break" case in favour of smaller vessels.

To the chagrin of PWR advocates, Cottrell proved right. An international exercise, in which heavy sections of steel known to be flawed were circulated among the top laboratories specialising in non-destructive testing, proved embarassingly unsatisfactory. Results differed widely and many flaws were missed.

Then, a top-level scientific study of the integrity of the pressure vessel proposed for Sizewell B, conducted by Dr Walter (now Lord) Marshall, of the UK Atomic Energy Authority, concluded that a big pressure vessel could be designed and manufactured to standards meeting Britain's nuclear safety rules. Non-destructive testing technology and skills were judged to be advancing rapidly, but the Marshall report called for independent assessment of inspection methods and of the personnel involved.

Cottrell was convinced by the Marshall report and by the Central Electricity Generating Board's subsequent proposal for a centre to validate inspection. The CEGB asked the UK Atomic Energy Authority to set it up at its Risley laboratories.

To maintain independence, the authority pays half the cost and Cottrell has become chairman of the management advisory committee. This body of scientists, including experts in fracture mechanics, certifies both the inspectors and their methods as capable of finding any significant flaw, both before and during operation of the plant. This could be a hair-line crack only 5 mm long or a porous patch only 5 mm in diameter, buried deep in solid steel 25 to 50 cm thick.

Each flaw is manufactured in a rectangular block of steel identical to that used for the forged pressure vessel. Some 17 kinds are simulated, including fatigue cracks, hydrogen cracking, slag inclusions and porosity.

The steel block containing the dummy flaw is then machined into the shape of a bobbin for implanting into the test section. This bobbin must be welded in so perfactly that there is no possibility of an inspector spotting the site and thus narrowing his search. The centre is collaborating with the Electric Power Research Institute in the US to develop a method of diffusion bonding by hot isostatic pressing that may simplify the implanting process.

Inevitably, preparation of the test sections is costly. Mr Ian Birss, head of the UK AEA's Risley laboratories, reckons that, out of an expenditure of between £4m and £5m a year, more than 50 per cent goes on research into and development of flaw simulation.

As Birss explains, the first step is to identify, with the help of the matrial supplier, the likely places for flaws to occur. "We try to make the test as realistic as possible."

The inspection technique required by the CEGB is pulse echo ultrasonic, similar to the navy's active sonar. The inspector fires pulses of ultrasonic energy, from many angles, into the metal and from the echoes tries to characterise any target they bounce off.

The centre first validates the technique he is using and the way he is using it. It also needs to be sure that the inspector really understands the elusive nature of his quarry, says Birss.

Then it sets him the task of finding and characterising specific flaws: Where and what? How big? Rough or smooth? How they lie? Whether he thinks they matter?

The centre has satisfied Sir Alan Cottrell and his board that it can reproduce all the flaws that may occur during manufacture of the Sizewell B pressure vessel. Now it is turning to the other parts of the reactor's primary circuit, such as steam generators, pressuriser and pumps.

Its client, the CEGB, knows that the validation process is putting a premium on the price of the pressure vessel. But the centre believes it has a method within reach of dramatically cutting the cost of validation.

This uses computer simulation of flaws. Characteristics of the dummy flaws are recorded on a computer program. Any flaw can be played back on demand, located anywhere in any component and obscured with "noise"— all without risk that the inspector may spot tell-tale signs that something has been implanted.

What remains is for the scientists to speed up the program to give the inspector an authentic response from his computer screen.

Once it is armed with computer simulation of flaws, the centre believes its validation costs could fall sufficiently to attract others in the business of building highly stressed structures.

MANAGEMENT: Marketing and Advertising

EDITED BY CHRISTOPHER LORENZ

AS THE parties head for the home straight—this time next week it will be all over bar the shouting—the betting for top honours in election advertising looks for once like being a close run thing.

After two weeks of noisy campaigning, the initial prizes seem to have gone to the unlikely Labour camp. Under the professional eye of former television producer Peter Mandelson, the Labour Party's headquarters at Walworth Road has shed—or shelved?—its historic distaste for the business of advertising and trounced the more practised Tories at their own game.

In the last two elections it was the steel-toothed Tories who, aided by the highly-tuned Saatchi communications machine, showed how to win voters and influence people with some cunning advertising.

(Though Labour for some reason insists on keeping the identities of its two dozen or so volunteer advertising helpers a secret, calling them merely the shadow communications agency, smart money in industry circles is on Labour's advertising advisers coming from, among others, Abbott Mead Vickers, Saatchis and Boase Massimi Pollitt, an agency with a strong line in issue advertising. Its work has included the celebrated and hard-hitting campaign to save the Labour-run Greater London Council.)

A number of signals point to Labour's new-found professionalism in comunications. It was quick off the mark at the time of the local elections with a mini-salvo of two posters depicting "decaying" Britain. One showed a dilapidated hospital ward, the other a dole queue—a cheeky twist on Saatchi's famous dole queue ad of 1978 entitled "Labour isn't working," which some believe was a factor influencing the end of the Callaghan government.

Though criticised by admen for weak production values, (the execution is grainy which makes viewers work harder to grasp the message) the posters noisily launched the Labour offensive. Tory protests about fake dole queues—allegedly including workers paid to appear in the photograph—only added to the poster's exposure and ensured it media headlines.

Where the Labour party clinched the high ground was with a press ad which not-exactly-quoted Norman Tebbitt on unemployment. "If unemployment is not below three million in five years then I'm not worth electing," it said.

Left alone, it might have died a natural death but the public wrath of the Tory chairman at

Image makers fight for the high ground

Feona McEwan assesses the impact of the admen in the British election

the alleged inaccuracy of the quote gave it new life.

The trick is not to answer back, says Dave Trott, creative chief of Gold Greenlees Trott, which handled the 1983 SDP campaign. "That way you avoid crediting the other side. It was a smart move on Labour's part to goad the Tories into a reaction, though.

This is not a mistake the Tories have made in connection with Alliance advertising.

More recently Labour scored again with its lovingly-shot panegyric to its leader. The party electoral broadcast shot by master craftsman Hugh Hudson of Chariots of Fire and Greystoke fame, showed Mr and Mrs Kinnock in married bliss, gazing at mountain peaks, and generally looking attractive as praises rained down from politicians and doting aunt and uncle.

According to Johnny Wright, now with SSC&B Lintas, but whose agency Wright & Partners had the Labour Party account in 1983, the Tories used a similar presidential approach that year. So did the Alliance which is doing even more of it this time round.

What the Labour Party has done is to use television to do what it does best—tug at the heart-strings. Despite the low British threshold for sentimentality, the broadcast was widely deemed a masterstroke. "I was *prepared to be embarrassed, but* I wasn't," says Wright. "It was brilliant, exactly what was needed."

Trott, however, thought it "crashingly dull and corny," and is "convinced the punters would think you're insulting their intelligence."

An early onslaught from the Tories was a predictably well-crafted party election broadcast which attempted to stir the patriotic spirit with its references to the flag, the Battle of Britain, the Winter of Discontent, all to strains of "I vow to thee my country."

To many advertising eyes, however, the net effect of the Kinnock love story and the Tories' patriotic broadcast was to cause considerable mirth. "If you were wanting to spoof a political broadcast," as one insider puts it, "that's what you'd come up with. Spitting Image couldn't have done it better."

The Alliance offering, however, with its latest recruit to the Commons, likeable Rosie Barnes, speaking straight to camera without interruption, was something of a turn-off. "The party is coming over a bit wet," opines Andrew Rutherford, creative partner at Wight Collins Rutherford Scott, and the man behind the "Labour isn't working" poster during his earlier Saatchi days. *Kinnock's party has, in Rutherford's opinion,* "got its act together this time."

One reason for simplicity of approach is doubtless cost. Costs for a 10-minute broadcast are put at between £20,000 and £35,000. The Tories are reckoned to be spending some £5m on advertising, Labour around £4m, and the Alliance half of that.

Figures for national press expenditure for April and May from the Media Register show that the Tories have spent £1.2m, Labour £758,000 and the Alliance £16,800.

In spite of this, the Alliance declares itself satisfied with results of its broadcasts so far. They have met our objectives, says Simon Lewis, party communications officer.

On the poster front early Tory efforts have focused on the party's record. The campaign was launched with a fanfare and a poster featuring three dogs. "Now we've the fastest growth of any major economy in Europe," it says, showing a large bulldog, a smaller German Shepherd and a tinier French poodle. "The Tories have been doing some good work," Rutherford believes. He cites, among others, the ad listing 23 achievements under Tory rule with the headline "Don't undo 8 years' work in 3 seconds."

But it was not until the Tories resumed their familiar jugular attack with some knocking copy that many in advertising circles felt the campaign made its strongest impact. The poster about reading matter in Labour-controlled schools featuring three little red books with titles like "Young gay and proud," "The playbook for kids about sex" gained considerable editorial coverage and will not have pleased the Labour Party.

Arguably, however, the Conservative campaign has lacked strategic focus. Oscillating between promoting their record and knocking—or often reacting *to—Labour, the Tories have* played a tactical game. As Labour continues its knocking campaign—so much easier for the opposition — concentrating on education, welfare, employment, law and order, the Tory advertising is getting back its bite. The strong, simple, but emotive vision of a soldier surrendering as a result of Kinnock's defence policy is a notable example.

But compared with the previous Tory advertising campaigns when Tories went on the attack to try to show how disastrous it would have been to have a Labour government, this year's campaign has shown a lack of strategy. The early ads focusing on achievement made the party look complacent, with its "look how clever we are" approach, says one seasoned observer, who views the hit-and-run tactics of this year's press and poster work as "flailing about in the wind."

"Knocking copy is essential for this sort of advertising—an extension of the debate. The role of advertising in politics is to polarise views . . . to aggravate people for or against something—which is not generally the motive of advertising," says Tim Delaney of Leagas Delaney. Consequently, he argues, when Tories are pushing positive messages, the campaign "feels limp." Trott agrees: the Tories would do well to consider themselves "the pretender" again, and go on the offensive instead of reacting to Labour.

By the same token the Alliance has a hard road to hoe. Even though it is "doing the right things," as Delaney puts it, its approach makes it hard to get an edge. For a party that pooh poohs the yah-boo two-party system the problem must be to know where to focus, he suggests.

Restricted by its smaller funds, the Alliance has run two press ads to date (both in The Independent) with a new poster campaign unveiled this week and the promise of more press ads to come. The message is uniform, showing pictures of the two Davids, headed "The *only fresh thing on the menu"* with the copy written in the spare, concise, pertinent style for which David Abbott, the Alliance's official consultant, is known.

However, the boyish grins and casual sweaters of the party leaders in the ads did nothing "to reaffirm the stature of the party" in Rutherford's view. "They don't look serious players . . ." he comments.

Nor is the Alliance convinced of the effectiveness of advertising in the political arena. "I am deeply sceptical," comments John Pardoe, campaign co-ordinator, talking of the effectiveness of election advertising. "It seems to me from existing research that the conclusion is 'don't know.' Whatever its effects, they would seem to be extraordinarily marginal."

This coming week we can expect to see more press ads from the Alliance, Labour continuing its assault on Tory policy, and the Tories baring their teeth.

If Winston Fletcher, advertising adviser among others, to the Alliance, is right, the Tories will unleash more of Mrs Thatcher—kept at a distance until the broadcast this week —"like an Exocet" in the final throes of the battle.

Floor covers on the slide

UK FLOOR-COVERINGS manufacturers are upgrading the quality of their products in an attempt to add value to the declining market.

Market Assessment's latest review of the sector, covering carpets, vinyl and linoleum products, and carpet tiles, says the slump has been caused mainly by the reduction in housebuilding and renovation.

Cuts in government spending have also played a significant part, since government departments have traditionally been major customers for contract flooring.

Carpets account for about 96 per cent of the £932m a year floor-coverings trade. Carpet tiles have yet to make a real impact on the domestic front, while vinyl tiles are fading fast. The report claims sales fell 14 per cent last year alone.

For the future, Market Assessment says carpet sales will grow by 1-2 per cent in real terms over the next five years. Much of the increase will be captured by imports as UK production declines.

Volume sales of smooth coverings are forecast to increase by as much as 5 per cent, but little increase in value is expected because of over-capacity in the European industry.

** Floorcoverings, £200, Market Assessment, 2 Duncan Terrace, London N1 8BZ. Tel. 01-637 2281.*

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** The contact lens market in Europe, £42.00. ERC Statistics International, Lynton House, Tavistock Square, London WC1H 9PU. Tel: 01-387 9484.*

Company Notices

New Zealand

US $ 250,000,000
Floating Rate Notes due 1996

In accordance with the Terms and Conditions of the Notes, notice is hereby given that for the interest period from June 4, 1987 to December 4, 1987 the Notes will carry an interest rate of 7.563% p.a.

The interest payable on the relevant interest payment date, December 4, 1987 against coupon n°3 will be US $ 384.45 per Note of US $ 10,000 nominal and US $ 3,844.53 per Note of US $ 100,000 nominal.

The Reference Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

AAE
AFRICAN AND EUROPEAN INVESTMENT COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Registration No. 01/02154/06

Preference Dividend No. 78

On June 3 1987, Dividend No. 78 of three per cent for the six months ending June 30 1987, was declared payable on Saturday, August 15 1987 to holders of the six per cent cumulative preference stock registered in the books of the company at the close of business on Friday, June 26 1987, and to persons presenting coupon No. 79 detached from stock warrants to bearer. A notice regarding payment of the dividend on coupon No. 79 detached from stock warrants to bearer will be published in the Press by the London secretaries of the company on or about Friday, June 12 1987.

The preference stock transfer registers and registers of stockholders will be closed from Saturday, June 27 1987 to Saturday, July 11, 1987, both days inclusive, and warrants dated Saturday, August 15 1987 will be posted from the Johannesburg and United Kingdom offices of the transfer secretaries on or about Friday, August 7 1987. Registered preference stockholders paid by the United Kingdom Registrars will receive their dividend in United Kingdom currency converted at the rate of exchange applicable on Monday, June 29 1987, less appropriate taxes. Any such preference stockholders may, however, elect to be paid in South African currency provided that the request is received at the offices of the company's transfer secretaries on or before Friday, June 26 1987.

The effective rate of non-resident shareholders' tax is 15 per cent.

The dividend is payable subject to conditions which can be inspected at the Johannesburg and London offices of the company and at the offices of the company's transfer secretaries, Consolidated Share Registrars Limited, 1st Floor, Edura, 40 Commissioner Street, Johannesburg 2001 (P.O. Box 61051, Marshalltown 2107) and Hill Samuel Registrars Limited, 6 Greencoat Place, London SW1P 1PL.

By order of the board
ANGLO AMERICAN CORPORATION OF SOUTH AFRICA LIMITED
Secretaries
per R. W. KETLEY
Divisional Secretary

Head Office: 44 Main Street, Johannesburg 2001
London Office: 40 Holborn Viaduct, London EC1P 1AJ
June 4 1987

SOCIETE CONCESSIONNAIRE DES AUTOROUTES DE LA COTE BASQUE ACOBA
7% 1978/1993 UA 16,000,000

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The following Bonds will be redeemable coupon due on July 10, 1988 and following attached:
9686 to 11105 incl.

Amount outstanding: UA 11,800,000
Outstanding drawn Bonds
3523 to 3525 incl.
3688 to 3707 incl.
4215
4245 and 4246
4843 to 4845 incl.
4693 to 4696 incl.
4707
4725 to 4727 incl.
4848
4874 to 4877 incl.
4993
5006
5082 to 5101 incl.
5501 to 5513 incl.
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5604 to 5609 incl.
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5935 to 5943 incl.
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5972 and 5973
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Luxembourg, June 4, 1987
The Fiscal Agent
KREDIETBANK
S.A. LUXEMBOURGEOISE

VICTORIA HALL COMPANY, LIMITED
U.S.$11,000,000 GUARANTEED FLOATING RATE NOTES DUE 1992

In accordance with the Terms and Conditions of the Notes, notice is hereby given that the Rate of Interest for the period June 4, 1987 to December 4, 1987 will be 7.6625% p.a. and the amount payable per U.S.$10,000 denominations will be U.S.$389.51 and per U.S.$100,000 denominations will be U.S.$3,895.10

June 4, 1987
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NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held in the Ballroom Reception Area, Hotel Piccadilly, Manchester *at 11.00 am on Tuesday 23 June 1987* for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act and, if thought fit, appointing a committee.

A proxy form is sent herewith. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than 1200 hours on Monday 22 June 1987 written details of the debts they claim to be due to them from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf by that time.

Date: 29 May 1987

C. W. NIELD
Joint Administrative Receiver
Cork Gully
St James's House
Charlotte Street
Manchester
M1 4DZ

IN THE MATTER OF
TERRANCA HOLDINGS LIMITED
AND IN THE MATTER OF
THE CYPRUS COMPANIES LAW
CAP 113

NOTICE IS HEREBY GIVEN that the Creditors of the above-named Company which is being voluntarily wound up are required on or before the 4th day of July 1987 to send in their full names, their addresses and descriptions, full particulars of their debts or claims and the names and addresses of their Solicitors (if any) to the undersigned Mr Antony Hajiroussos, FCCA, of Julia House, 3 Themistocles Dervis Street, P.O. Box 1612, Nicosia, Cyprus, the Liquidator of the said Company, and if so required by notice in writing from the said Liquidator, are, personally or by their Solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice, or in default thereof they will be excluded from the benefit of any distribution made before such debts are proved.

Dated this 4th day of June 1987.

A. HAJIROUSSOS, FCCA,
Liquidator.

Registered No: 1811525
Registered in England
MATEVAL INTERNATIONAL LIMITED

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held in the Ballroom Reception Area, Hotel Piccadilly, Manchester at 12.30 pm on Tuesday 23 June 1987 for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act and, if thought fit, appointing a committee.

A proxy form is sent herewith. Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to me at the address shown below, no later than 1200 hours on Monday 22 June 1987 written details of the debts they claim to be due to them from the company, and their claims have been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with me any proxy which the creditor intends to be used on his behalf by that time.

Date: 29 May 1987

C. W. NIELD
Joint Administrative Receiver
Cork Gully
St James's House
Charlotte Street
Manchester
M1 4DZ

TEESSIDE REFINERY LIMITED

We, Christopher John Hughes of Cork Gully, Shelley House, 3 Noble Street, London EC2V 7DQ and David Miles Middleton of Cork Gully, Archbold House, Archbold Terrace, Newcastle upon Tyne NE2 1DQ were appointed administrative receivers of Teesside Refinery Limited (Registered No. 1823183) by European Investment Bank on 20 May 1987 acting through the Secretary of State for Trade and Industry.

D. M. MIDDLETON
Joint Administrative Receiver
C. J. HUGHES
Joint Administrative Receiver

NOTE: Other names by which the company was called in the twelve months preceding the appointment: TEESIDE REFINERY LIMITED

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THE ARTS

Manon/Covent Garden

Rodney Milnes

Tuesday's gala premiere of *Manon* was in aid of the NSPCC and the Royal Opera House Trust but not, alas, of French opera in general or Massenet in particular. It was one of those evenings when you sensed early on that several important things had gone very seriously wrong, and that there was little prospect of them ever going right — certainly not in the course of the performance or the first run.

Manon was originally to have been produced and designed by Marco Arturo Marelli, with Ileana Cotrubus in the title role; both withdrew. In their place at a comparatively late stage came Rudolf Noelte (producer), Peter Rice (designer) and Julia Migenes (Manon). Mr Rice's blandly representational, dun-coloured sets of canvas and cut-cloths would have looked old-fashioned at Sadler's Wells 30 years ago: today they were as if out of the ark.

Mr Noelte's flat production was scarcely noticeable save when, in conjunction with the decor, it was spectacularly wrong-headed: the Cours-la-Reine sets and costumes were so devised that you couldn't see the protagonist's entry or indeed pick her out once she was there, and the presence of an indifferent troupe of tumblers performing virtually throughout on a raised stage and being applauded by a stage audience distracted fatally from the series of solos and duets that make up the scene.

In general, there was no indication of why the opera was being performed today, no hint of an overall historical view, of social criticism, of moral standpoint, of what *Manon* is For. One secretly longed for a Kupfer to put the Bomb under it, for one of Mr David Alden's chain-saws, for *anything* to relieve the deadening tedium of the evening. Could it, with hindsight, have been prevented? Given the late engagement of the production team and the hitching of the first night to a royal gala, probably not. This was a case of a new production being an unstoppable juggernaut careering to disaster. And what it must have cost beggars the imagination. . . .

While one has sympathy for a cast left high and dry to their own devices, they made a poor showing. That there was not a single French singer among them and that the enunciation of the language was poor can be no cause for surprise nowadays, which is not going to stop me complaining bitterly. But do today's singers, when preparing a highly individual work like this, ever listen to their colleagues from the past, and try to learn how this sort of music should be sung? Evidently not.

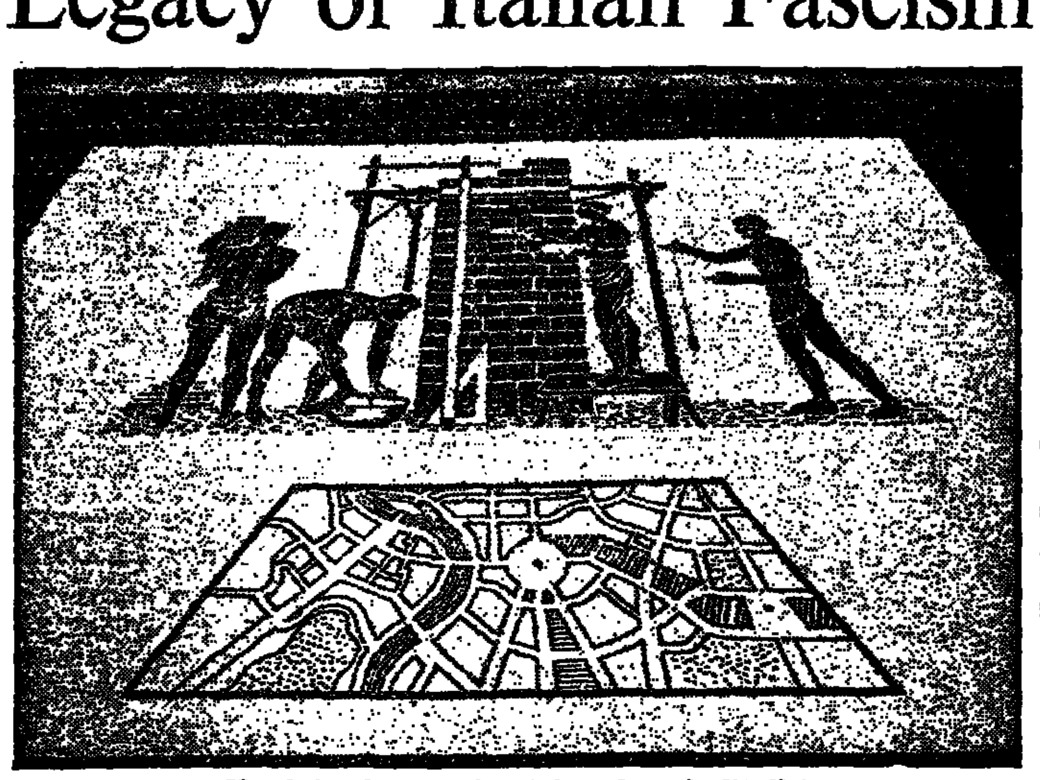
Miss Migenes has a light, bright monochrome soprano and a serviceable technique; of mystery or charm there was barely a trace in either her singing or her acting. Neil Shicoff's greyly sung Des Grieux, played as a bespectacled wimp, seemed to me the prodigious waste of a considerable talent. One searches nervously down the cast list through J. Patrick Raftery's stolid Lescaut, William Dooley's mild Brétigny, Robert Lloyd's nervously oversung Comte, for a spark of Gallic finesse, lighting at last on Alexander Oliver's vivid Guillot (deprived of his "*Dig-et-dig-et-don*" in a carelessly cut version of the score).

The hardest task of all — putting an intimate *opéra-comique* across in this house — fell to Jeffrey Tate in the pit. The playing was never less than competent, but the sound was too thick, the balance uneasy, and there was a lack of nuance, shading and inner tension. When *Manon* is less than superbly played and sung, it can be the most boring opera in the repertory. And so, in every respect, it seemed on Tuesday.

Julia Migenes — Alastair Muir

Architecture/William Weaver

Legacy of Italian Fascism



Mosaic for the fountains of the Palazzo degli Uffici

In the mid-1930's, when Italian Fascism was at the peak of its success, Mussolini and the ambiguous Giuseppe Bottai, conceived an ambitious plan for an international exposition that would dramatically present the achievements of Italy, past and present. It would be, itself, an achievement, a triumph of monumental architecture and intelligent city planning.

After some discussion, a date was fixed: 1942, the 20th anniversary of the Duce's coming to power. And the exposition would be called Esposizione 1942, or—for short— E42. It would also be called the Olympiad of Culture, and its creation would galvanise the leading figures of Italian architecture, science, economics, as well as prominent engineers, painters, sculptors, writers and scholars.

Though the enterprise was party-run (the regime's leading industrialist, Vittorio Cini, was quickly called in as organiser). Party hacks—like the architect *Marcello Piacentini, Mussolini's* Speer—were flanked by party mavericks and even by some artists without party affiliation. The project was a fascinating *mixture of* bombast and inspiration.

Despite its cumbersome organisation and its immense and elaborate scope, E42 moved with remarkable speed. In 1937, Mussolini laid the first stone of the Palazzo degli Uffici. In 1939, when a glass model of the vast project was displayed at the New York World's Fair (to which Mussolini sent observers, who naturally criticised it severely), actual construction was in brisk progress. It continued after Italy's retarded entry into the war, even though the scarcity of certain materials — like iron — caused delays and modifications. One modification affected the title: 1942 was clearly no longer a viable date. So a new, less specific title was devised: Esposizione Universale Romana, or EUR.

Work was not actually suspended until the war had reached Italian soil; and only Mussolini's downfall, on July 25, 1943, spelt the end of the exposition plan. During the last years of the war, the nearly-completed buildings were occupied first by the *Nazis, then by the Allies.* Neither side showed much respect for its lodging (German tanks plowed over the mosaic floors of the grandiose Palazzo della Civilita Italiana). And, after the war, the proud constructions stood there, overlooking the Tiber, as sheep grazed where hordes of tourists had been meant to gape. Then, a decade or so after the war's end, the EUR quarter attracted the attention of developers.

Mussolini's grand palazzi were tidied up, put to use, and surrounded by villas and office blocks, suburban flats and shops, with some new monuments created by Pier Luigi Nervi (one of the E 42 designers) for the Rome Olympics.

The history of E 42/EUR is, in some way, the history of Rome *over the past half-century* and in one of the original buildings, now the National Archives, a group of scholars, having pored over the thousands of drawings and documents and objects that form the EUR files, recently *created a small* but arresting show, called "Utopia e scenario del Regime" (Utopia and Staging of the Regime would be a rough translation), documenting the conception and development of the idea of the Olympiad of Culture. The same group is responsible for the handsome, exhaustive catalogue (two large volumes, published by Marsilio, Venice), a rich, invaluable collection of *essays, photographs, documents*, and interviews with some of the surviving planners.

Italy in the 1930s (as the splendid Milan exhibition "Anni Trenta" demonstrated a few years ago) was lively and adventurous, especially in architecture and city-planning. For all its bombast and its final *failure, EUR has many fascinating* and valuable aspects. A study of its aims makes us look at post-war Italian construction with different, perhaps more critical eyes.

In any case, Italian scholars are now studying the period more objectively and thoroughly. Further evidence of *this interest is the beautifully* executed volume, E 42 by Riccardo Mariani (Edizioni Comunità, Milan), professor of city planning and historian of *modern architecture.*

Orchestra of the Age of Enlightenment

Andrew Clements

The successful launch of a large-scale group such as the Orchestra of the Age of Enlightenment, dedicated to the performance of 18th-century *repertory on period instruments*, demonstrates how firmly established the authenticity movement has become in London's musical life. The OAE *is barely a year old*, but already its future engagements stretch into the 1990s with a string of distinguished conductors scheduled to work with it. For Tuesday night's Mozart programme at the Barbican it was conducted for the first time by Charles Mackerras.

I still harbour the lingering *suspicion* that however much we may welcome the astringency and clarity of period instruments in stripping the layers of varnish from the Classical orchestral repertory, we still automatically measure their performance against the norm of the modern symphony orchestra, giving highest marks to those that manage the smoothest tonal blend and happiest balance, the most unanimous tuning, and so on. Indeed, it would be hard to *do otherwise; to praise* an orchestra simply because it made a studiedly antique sound would be absurd. There is no reason to suppose that Mozart *welcomed the register breaks* and mistuned notes endemic in 18th-century wind instruments, for instance, any more than we do nowadays.

On that *basis therefore* the OAE is an highly accomplished band, flexible in its phrasing, generally immaculate in its tuning (though oboes and horns *had unhappy moments)* and managing a wide dynamic range with ease. Much of their playing for Mackerras was bracingly athletic. How far a conductor can temper his readings to such an orchestra is hard to assess; it would be hard to pinpoint aspects of these accounts that owed their origin specifically to the use of a period orchestra. In the Linz Symphony K425 the first three movements were *staid and unexceptionably main*stream; only the finale came to life and then was able to benefit from the delicate articulation and rhythmic definition such a string section can produce.

Similarly the overture to *Don Giovanni* had remained determinedly mundane, without any dramatic fire or urgency. It was only in parts of the Haffner Serenade K250 *that the partnership* began to work tellingly. Scaled down in size, with a violin soloist (Monica Huggett) not intent on just producing the biggest, *juiciest tone she could muster,* the three concerto movements became a jewel-like sequence among music of grander scope; the interplay between soloist and *orchestra* was *finely de*tailed, and able to exploit the smallest nuance. In the later movements, too, the scale of the playing brought its own rewards, *giving buoyancy to* passages that might have otherwise slipped in routine.

★

In my review of Sunday's Barbican concert I mistakenly truncated the LSO's series of "Great Russian Masterpieces." There are in fact three more concerts to come, ending on *June 14* when *Maxim* Shostakovich conducts his father's 13th Symphony and Second Cello Concerto.

No Worries/Young Vic

Annalena McAfee

Any programme in which actors are credited with performances as duvets, radio alarms, basketball rings and electricity generators would normally give the average adult theatre-goer considerable cause for pause. But *then the* average adult theatre-goer rarely ventures within participating distance of children's theatre. This reticence is, sadly, often justified. But not in the case of David Holman's *No Worries*, a *marvellously* inventive work which elicits high-octane performances — animate as well as inanimate— from a versatile cast. This play, a paedophobe *might argue*, is too good to be left to children.

Set in Australia during a severe drought in the 1970s, the play focuses on the life of young *Matilda* who lives *with her* family on a sheep farm in the outback. The cast of six, in slick ensemble pieces, convincingly convey a small tight-knit rural *community* in which city ways are viewed with a mixture of scorn and amusement. Music — keyboards and guitar — and close-harmony songs (in a strong score by David Webb) reinforce the narrative and some remarkable sound-effects from the actors consolidate the atmosphere. The pace set by director Jeremy Bell is fast enough to keep any television-weaned child amused and the story sufficiently complex and *multi-layered to thoroughly en*gage any adult. Among several witty physical performances, Richard Huw excels in the roles of two mischievous schoolboys, a *wild dog*, a sheep and a radio alarm.

The carefree, though sometimes brutal, pleasures of Matilda's country childhood are counterpointed by her parents' concern as clouds fail to gather and pasture dries up. For Matilda, winningly played by Susannah Hitching, the main *anxiety is her school's next* basketball fixture. When adult realities can be avoided no more, she watches impassively as her father shoots the stock. "It'll be *all right next year*," she reassures him. But it won't. They have to sell up and move . . . to the city. Matilda and her family are cast out of paradise.

*The child's despair at leav*ing her old friends, her fear of moving to the large, unfriendly and unfamiliar city are very movingly portrayed. Her anguished *cry* in the darkness as she realises that there can be no escape from this hostile place *prompts* a wholesale fumbling for Kleenex among the audience. Matilda knows she is here to stay but resolves to fight. It is not until she meets another outsider in the city, a Vietnamese boat child, that *she* begins to understand that the metropolis, too, may have something to offer.

The particular success of No Worries is that David Holman does not write down to children. Instead he acknowledges that they have as powerful and as wide *a range of emotions* as adults. They also respond to magic, a quality which this production *has* in abundance. The play runs until Saturday, June 13, with evening performances all next week. If you haven't got a child, borrow one.

Massimilla Doni/Zurich

Andrew Clark

Less than two weeks after Karl Böhm conducted the premiere *of* Othmar Schoeck's *Massimilla Doni* at Dresden in March 1937, the opera was drawing full houses for its first production in Zurich. The absence *of any subsequent* performance history in the programme book of the new Zurich production could be taken as a sign of a guilty conscience *in Swiss* - German theatre circles, for the main houses of the composer's homeland have not exactly been generous to him over the years.

The centenary of Schoeck's birth last year prompted a scattering of performances of his music, *including a fine concert* performance of *Massimilla Doni* at the Lucerne festival. Zurich did in fact see a second production of *Massimilla* in the 1950s, *and timed this new stag*ing recently to mark the 30th anniversary of Schoeck's death and the 75th birthday of Ferdinand Leitner, who conducts a performance of *exquisite* colour and sensitivity, alert to the chamber-music refinement of the *orchestral* score *and* Schoeck's balance of parts.

A full *staging of* the work does weaken the impact of some of the instrumental detail, but there is ample compensation *in this unpretentious* production by Giancarlo del Monaco, who does not patronise the work in any way. The characters are well etched, the *situations clearly placed in* the operatic world of Venice of the 1830s as Schoeck clearly intended. The single set by Dominik Hartmann transforms *itself neatly from* Venetian *palazzo* to Fenice *palco*, and offers a splendid Adriatic seascape with gondola pier and *piazza* in the foreground.

Vendramin comes over unexpectedly as the most sympathetic character, partly because Schoeck's vocal music always seems at its most intimate and natural in his writing for bass-baritone, but also because Roland Hermann cuts such a dignified profile in this role.

The *farcical* artistic collision between Tinti and Genovese—appealingly sung by Dorothea Wirtz and Peter Straka—is the scene that makes the most *entertaining theatre, contrast*ing well with the reflective air of Massimilla's monologues.

Beatrice Niehoff looks young and pretty enough for the title part, but the ample timbre and way with words that Gundula Janowitz or Lisa della Casa might have brought are missing. All told, the subject-matter *of Massimilla Doni* may seem a touch contrived, but Schoeck's deft mystery of vocal and *instrumental* expression *carry it* convincingly in the theatre.

The Threepenny Opera/Berlin

Ronald Holloway

The triumphant return of Brecht-Weill's *Die Dreigroschenoper* to West Berlin and the Theater des Westens after three decades—on the occasion *of the city's celebrations of its* 750th anniversary—is undoubtably well deserved. And now that it's here—under the direction of Günter Krämer, *with members of his visiting* Bremen ensemble in key roles—one gratifying personal experience is to note the veneer of the traditional staging formula scraped away to make way for an original experimental approach to a modern classic.

The entire show is performed on a fire-escape-like staircase rising over the orchestra in ever-mounting escalation towards the roof and with a width from portal to portal. Visually, it is startling—reminiscent of Leopold Jessner's legendary *Berlin staircase productions*, but also hinting of the Odessa Steps sequence in Eisenstein's *Battleship Potemkin*, or a glorified vaudevillian revue-*stairs. The effect is that the per*formers play mostly to the audience, like figurines on an Egyptian vase, while about them the action moves at a hurried pace and scenes tend to pile one upon another. Even a pause for the audience to catch a *breath is out of the question.*

The set (Andreas Reinhardt) particularly lends itself to stylistic innovation. When the police run up the stairs, the thud of boots upon iron grates is felt to the back row. Likewise, when street-people *parade down the stairs through* a veil of falling rain, they pull up their coat collars and don newspapers for a sprightly sprint through the shower. And *the stars visible on a backdrop* shine through the staircase to surround Polly Peachum (Therese Dürrenberger) and Mackie Messer (Martin Reinke) as they pay homage to the moon over Soho. For Hans Falár's Peachum, the steps are *even a challenge for his deft* thespian acrobats.

Andres Segovia dies in Spain

Andrés Segovia, who has died from heart failure in Madrid at the *age of 94, was perhaps the* leading guitarist of the 20th century, and certainly the figure who did most to inspire the revival of interest in the instrument in our day.

Born in Granada, he was a *self-taught prodigy who deve*loped notable new techniques of sound and tone production. More important, he added an enormous amount to the previously slender repertory of the classical guitar, partly by transcribing works written for other instruments, and partly by inviting composers (such as *Falla, Villa-Lobos and Rodrigo)* to write new music for him.

Segovia was a famous and admired guitar teacher: it is no exaggeration to say that every*one of his successors* received encouragement from him at some time in their career.

Max Loppert

Sharp price rise for opera seats

The Royal Opera House, Covent Garden, has come out fighting with the announcement of its programme for the 1987-1988 *season*. It has not allowed its chronic financial problems—a likely deficit of nearly £2m in the coming year unless it can cut costs and boost revenue —to curb its planning. The idea seems to be — offer the public more, *and* charge them *for it.* A *sharp rise* in seat prices, especially for the best seats, is planned for the autumn.

So there are an unprecedented seven new productions, four home grown and three imports from overseas opera houses. The music director, Bernard Haitink, will kick off with a new production of Mozart's *Le Nozze di Figaro*, with the Italian baritone Claudio Desderi as Figaro and Marie McLaughlin as Susanna. The director is the German *Johannes Schaaf*. This will be followed by another Mozart—*Die Entuhrung aus dem Serail*, with Sir Georg Solti conducting Elijah Moshinsky's production.

The other new productions are Wagner's *Parsifal*, which may be in jeopardy unless a sponsor is found and Michael Tippett's *The Knot Garden*, which was premièred at the Garden in 1970. The three imports are Rossini's *L'Italiana in Algeri* from Vienna; Richard Strauss's *Salome* from Los Angeles Opera; and Donizetti's *Anna Bolena* from the State Theatre, Stuttgart, with Dame Joan Sutherland in the title role. *Most of these new pro*ductions look like surefire box office, and will go some way to dispelling the criticism of the Opera House in recent years.

Another sign of Bernard Haitink's influence at Covent *Garden* is the announcement that five British composers have been commissioned to write new works for the orchestra of the Royal Opera House. Thanks to the David Cohen Family Charitable Trust, a new work will be performed over each of the next five years, starting with Nicholas Maw in 1988 and succeeded by Colin Matthews, Simon Holt, Mark-Anthony Turnage and Robin Holloway.

Antony Thorncroft

Saleroom/Annalena McAfee

The first day of Sotheby's London sale of Finest and Rarest Wines, Spirits, Vintage Port, Cigars and Collectors' Items was, according to the auction house, "a tremendous success and very exciting." David Molyneaux-Berry, Sotheby's wine expert, said "there was a series of new highs with some stunning overseas bids."

The top lot was an 1874 bottle of Chateau Lafite, estimated at up to £1,600, which was bought *for* £2,420 by an *American* private buyer. The wine is thought to be still in prime drinking condition. Five bottles of Lafite made more than £1,000 and an 1859 Chateau Mouton Rothschild sold for £2,200.

Good prices were also paid for cigars: 150 pre-Castro Havana cigars were bought *for* £580 by American buyers.

The highlight of Sotheby's Marine Sale in London yesterday was a group of paintings by *Montague Dawson. His* studies of clippers went particularly well — the painting of the tall ship "Sierra Miranda," was bought for £49,500 by a *private US buyer*. The picture had been expected to fetch up to £30,000.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

May 29–June 4

Exhibitions

TOKYO

Jonathan Borofsky: 61 works from the unconventional young New York artist in an integrated show of installations, painting, sculpture, light, sound and movement. Two famous pieces, The *Man with a Brief*case and Hammering Men, are included. The latter, juxtaposed against a humane Japanese Goddess of Mercy statue, makes an ironical *comment* on local culture. Male *Aggression* and Maidenform Woman parody American pop culture. Tokyo Metropolitan Art Museum, Ueno Park. Ends June 7. Closed Mon.

Space in European Art. 120 works (mainly paintings) comprise this cross-section of major art from earl*iest Greek period to today. The exhi*bition, one of the largest to travel abroad, is the result of the collaboration of major museums and the Council of Europe. Rarely seen works from private collections are also included. Artists include Dürer, Breughel, Titian, Rubens, Van Dyck, Turner, Monet, Klee, Chagall. Good use of space in the arrangement of exhibits, spread throughout the various *galleries of the museum.* English labelling plus detailed and informative catalogue. This exhibition is *drawing great crowds*, so go early in the morning. The National Museum of Western Art, Ueno park. Ends June 14.

Batik from Java: This superb exhibi*tion of this textile art includes* many examples of traditional work rarely seen outside Indonesia. Suntory Museum of Art (with splendid views over the city) near Akasakamitsuke subway station. Ends June 28.

NEW YORK

Museum of Modern Art: Berlinart *1961-87: An international* assortment of 55 artists who worked in Berlin over the past 25 years includes *David* Hockney, Malcolm Morley and Georg Baselitz. Ends Sept 8.

Guggenheim: The first retrospective of Joan Miro since his death in 1983 *includes more than 150 pieces*, including paintings objects, collages, ceramics and works on paper that explore the artist's experimental media, methods and primitive inspi*rations. Ends Aug 23.*

Metropolitan Museum: 48 key Impressionist and Post-Impressionist works from the Courtauld Collection tour America, including works by *Cézanne*, Manet, Renoir, Seurat and Gauguin. Ends June 21.

CHICAGO

Art Institute: The 1985 Grand Palais exhibit of Lartigue's 1920s photographs shows the evocative panoramas and fleeting moments on the streets of Paris between the wars. Ends June 26.

ITALY

Rome: Galleria arco Farnese (Via Giulia 180). *Pietro Melandri (1885-1976)*: This small gallery glows with the marvellously inventive and brilliantly coloured ceramics of this modern master of the ancient art of his *home city*, Faenza. Vases, bowls and small sculptures in the various styles he explored – liberty, art deco, some influenced by oriental decorative art, and in the later period, by Picasso and the sculptor Arturo Martini. The exhibition (which will be moving to Faenza in the middle of June) includes Melandri's mural *decoration in Maiolic tiles* made to cover the walls of the bar of the hotel Roma in Bologna (around 1950). Ends June 8.

Rome: Calcografia (Via Della Stamperia 6): Fascinating collection of prints, made between 1550 and 1886, of the Roman ruins in the city and *surrounding countryside* by Hendrick van Cleef, Hieronymus Cock and Gilles Sadeler (many of the latter lent by the British School in Rome). Ends June 7.

SPAIN

Madrid, Foco. Contemporary photography annual exhibition *gathers* works by Joel Meyerowitz, Ralph Gibson, Jordi Socias, Toni Catany and Valentin Vallhonrat. Circulo de Bellas Artes, Alcala 42. Ends Jun 8.

Barcelona, Auguste Rodin. 69 bronze figures and 40 watercolours on loan by Musée Rodin. Catalogue shows artists' influence on Catalunya's art schools and the Noucentisme. *Museo de Arte Moderno, Parque de la Ciudadela.* Ends Mid-June.

LONDON

The Tate Gallery. Turner in the new Clore Gallery: The Turner Bequest, which amounts to nearly 300 oil paintings, finished and unfinished, and a further 19,000 or so watercolours and drawings, has been a source of controversy and dissension ever since it came into the nation's hands more than 130 years ago. Turner had always wished for a gallery to himself which would show all aspects of his work. Whether he would have approved of James Stirling's extension to the Tate as a suitable setting is a nice question. The larger paintings may be hung too low for one who lived in a more os*tentatious age*, and the tasteful oatmeal Stirling has decreed for the principal galleries is a far cry from the rich plum he is known to have preferred. The vulgar neo-deco of the entrance hall has little to recommend it. But eight rooms for paintings and one for watercolours give *room enough, and with the three re*serve galleries upstairs, every painting but the few in restoration or on loan is on the wall.

PARIS

Costume-Coutume. Where better to stage an exhibition on clothes and their *sociological significance* than in Paris, whose very name is synonymous with fashion! The imaginatively presented exhibition ranges from the breeches and tunics *of ancient Gauls to the rare exhibits* from the 18th century – le Habit Français – and to Edith Piaf's legendary little black dress. Grand Palais (Closed Tue, Wed late closing) ends *June 15 (4289 5410).*

WEST GERMANY

Stuttgart, Staatsgalerie: British art in the 20th century organised by the *Royal Academy of Arts*. The work, covering 1910-70 is not well known in Germany. The extensive display of 250 pictures and sculptures from 70 artists includes works by Henry Moore, Ben Nicholson, Francis Bacon and Anthony Caro. It should help to revise the prejudice that British art is provincial and has not been represented in the avant garde. Ends Aug 9.

FINANCIAL TIMES

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Thursday June 4 1987

Intransigence in Sri Lanka

PRESIDENT Junius Jayawardene of Sri Lanka and Mr Rajiv Gandhi of India, both embroiled in internal political difficulties, appear to have drifted perilously close to conflict with each other which neither they nor the region can afford.

Mr Jayawardene's decision to send the army into the Jaffna peninsula, which is mainly inhabited by minority Tamils, signalled a switch in policy away from targeting Tamil separatist terrorists towards demonstrating majority Sinhalese domination of the entire island.

This prompted India in turn to take a higher profile in support of the Hindu Tamils and to suggest that India might breach Sri Lanka's sovereignty to supply Tamil areas with food and medical aid.

By taking up these increasingly intransigent positions both leaders appear to have reduced the chances of achieving the end they both profess to seek: a peaceful resolution to the ethnic crisis in Sri Lanka.

Classic progression

It is difficult to overstate the risk to the regional stability of South Asia if India were to continue to flout international law and to encourage a flotilla to penetrate Sri Lankan sovereign waters without permission. The internal crisis in Sri Lanka is difficult enough; but the new dimension of Indian nationals being encouraged by their Government to set sail for Sri Lanka's Jaffna peninsula with aid and provisions for the beleaguered minority Tamil community under attack from Government forces has raised the issue potentially to the level of a major international conflict.

The Sri Lanka crisis is a text book example of ethnic disharmony. Since independence the minority Tamils have felt *increasingly the subject of* discrimination by the majority Sinhalese. Increasingly this sense of oppression led to demands for protection through some form of autonomy for the areas where the Tamils are heavily concentrated — the northern and eastern provinces. As the Government failed to respond sufficiently and it became clear that the aged and intransigent President Junius *Jayawardene was not prepared* to make serious efforts to resolve the grievances the classic progression occurred: an extremist group of Tamils urged violence as a means to achieving a completely separate state of Tamil Eelam.

Similar, but not exact, parallels exist within India. The long-standing failure of successive Indian administrations to accommodate the reasonable aspirations of the moderate Sikh community in the Punjab, for example, threw up a band of extremist Sikh militants preaching and practising violence as the route to an independent Khalistan.

Regional hegemony

Mr Jayawardene's inability or unwillingness in earlier years to find an accommodation with *moderate Tamils means that* not only have the extremists gained in strength but also that any eventual agreement will likely have to grant more self-determination, perhaps with a Tamil governor, than would have been necessary 10 or even five years ago.

As the flotilla returns to India both Mr Gandhi and President Jayawardene share equal responsibility for finding a way to withdraw completely from this dangerous stand off into which they have manoeuvred themselves.

India should return to the role of mediator with a deal more energy and imagination than recently shown. Otherwise Mr Gandhi will have been seen to tread the path of his predecessors who, in pursuit of narrow self-interest, practised a policy of regional hegemony *in an unfortunately long list* of areas—Goa, Bhutan, Sikkim, Nepal, Bangladesh, Kashmir.

Mr Jayawardene should similarly revert to the search for a peaceful settlement and abandon the idea that the ruthless suppression of the Tamils in Jaffna will lead to anything other than deepening resentment and increased support for separatists.

There is some urgency to *getting all sides into constructive* discussions. Tension is rising daily, inflamed by terrorist outrages in Sri Lanka. If the internal conflict gets very much worse for much longer India could come under irresistible pressure from the 50m Tamils in the southern Indian state of Tamil Nadu to intervene. The consequences for both Sri Lanka and southern India would be a good deal worse than *making significant* concessions now to placate Sri Lanka's Tamils and restore some unity and hope of economic recovery before it is too late.

Industry goes back to basics

BY THE standards of much recent UK takeover activity, the acquisition by the General Electric Company of TI Group's Creda domestic appliance division is no big deal but as an exercise in industrial restructuring it makes eminently good sense—more so, indeed, than some of the glamorous mega-mergers which have enthralled the City over the past two years. Beyond this, it also highlights a healthy trend which has been quietly developing in parts of British industry.

As well as reassuring shareholders that GEC is prepared to invest its cash pile in its mainstream businesses, the deal endows its Hotpoint division with a broader product range and extra production volumes which should strengthen its position in the fiercely competitive white goods market. TI, for its part, has got out of a business for which it had little appetite and has gained a useful injection of cash with which to finance the expansion of its specialised engineering operations, which it views as the core of its future strategy.

The transaction runs directly counter to the kind of ambitious thinking underlying "grand slam" mergers and takeover bids aimed at radical diversification or the elimination of direct competitors.

Sensible course

An increasing number of British companies has concluded that their most sensible course is to rationalise their portfolios by shedding peripheral activities which do not enjoy clear commercial leadership and regrouping their operations around those businesses where they believe their skills and market position endow them with a distinct competitive advantage.

TI, along with GKN, have been prominent in his "back to basics" movement. Others include Thorn EMI, which has sold its cinema chain, Reed International and Beecham.

The merger wave has, of course, played an important role, since it has alerted many managers to the danger of a hostile takeover bid, prompting them to review their businesses with a more critical eye and to re-define their corporate objectives.

Though it is too early, in many cases, to judge the success of these changes, the process is healthy. Not only has it freed companies to concentrate their efforts more effectively on those areas which promise to yield the highest returns, but it has also resulted in the transfer of marginal and neglected businesses to new owners able to inject fresh investment and more intensive management attention.

Huge risk

However, salutary as these steps are, they are not enough in themselves to guarantee a *sustained improvement in* performance over the longer term. Few, if any, UK companies nowadays can afford simply to retrench around a position in their domestic market, however strong it may be. Increasing international competition makes overseas expansion imperative.

The range of options for doing so is wide, extending from outright acquisitions to joint ventures and alliances in product development and marketing. However, the risks are also huge: by definition, those areas where growth is highest are also those which are the most intensely competitive and where the margin for error is smallest.

Recent months have seen some intelligent approaches. One is GEC's decision to pool its medical electronics activities with those of Philips of the Netherlands, a *marriage* of near-equals which gives the two partners a combined share of about half the world market. Another is ICI's acquisition of Glidden of the US, which gives it a commanding position in the world paints market.

Such opportunities, however, are relatively rare. Too many British companies have rushed into overseas acquisitions which looked attractive on paper but *subsequently proved disappointing*. Getting such deals right will require all the judicious attention, critical analysis and commercial hard-headedness which exponents of the "back to basics" philosophy have devoted to rationalising their businesses at home.

Lucy Kellaway talks to Dr Armand Hammer

Charmed lives

Roger Taylor

Dr Hammer: still pursuing ambitious goals.

DR ARMAND HAMMER, the tireless 89-year-old chairman of Occidental Petroleum, claims to know what matters and what does not. The two things that matter most, he says, are the achievement of world peace, and the discovery of a cure for cancer.

These are ambitious goals for an aged businessman to pursue. But Dr Hammer, who claims as friends several dozen kings and world leaders, believes he has made some headway since making his first million 68 years ago.

He has, he says, donated to both causes some 90 per cent of his income, amassed from a pencil factory in the Soviet Union, from the sale of Czarist art treasures to Middle America, from breeding cattle, from distilling and finally from oil. However, his gifts (which, according to Forbes magazine have still left him with a fortune of about $180m) have perhaps been less important and certainly less unusual than his direct efforts to mediate between East and West.

Dr Hammer's memoirs*, published this week, described in spy thriller prose how he removed an obstacle to last year's Reykjavik summit by securing the release of Mr Nicholas Daniloy, the US journalist arrested in Moscow last year.

But from his comfortable suite in Claridges hotel yesterday, he said that his biggest contribution to peace so far was the 1985 Geneva summit, bringing together Gorbachev and Reagan, "getting them to know each other, to respect each other. I bet they both feel that neither one would lie to the other."

The true extent of Hammer's influence with either of the two leaders is impossible to guage. However it is clear from his memoirs that he has unparalleled contacts in the Soviet Union. The Soviets seem to love this bespectacled little man, who in the 1920s arranged grain shipments from the US to alleviate the famine which followed the 1917 revolution, and started up a factory which provided millions of Russion schoolchildren with their first pencil. But above all they love him for his friendship with Lenin. It is this which, during the last 60 years, has opened doors in the Soviet Union, allowing him at one stage to nominate trade between the West and the Soviet Union.

Whether or not his efforts have played a part, Hammer is confident that the world is now closer to eliminating nuclear weapons than ever before. He expects a summit between the two world leaders this autumn, which will be "the most successful yet."

Agreement will be reached, he predicts, on eliminating both medium and short-range missiles, and the basis laid for a 50 per cent reduction in all weapons.

Peace is being brought nearer, he argues, by a new spirit of pragmatism in the Soviet Union. These — 1,600 km $2.4bn that there is no communism in Russia, and has not been since Lenin saw that communism did not work in the 1920s. He subsequently introduced the New Economic Policy, which allowed limited private ownership.

What Hammer is really good at is deal-making

"In the same way, Dr Hammer interprets Gorbachev's policies of liberalisation as a recognition that socialism is not working either. If the system is to be preserved, he says, the USSR will have to lean more and more towards capitalism. "If he can't give his people the same standards of living that we have, socialism will fail," Hammer predicts.

Hammer has recently turned his attentions to getting the Russians out of Afghanistan. The plan, which he described excitedly yesterday, contains all the hallmarks of the classic Hammer fix-it. It draws on his close connections with the US Administration, the Kremlin, and his friendship with President Zia of Pakistan.

The plan, which includes reinstating the King of Afghanistan, and the country's previous government, sounds typically improbable. Even Hammer admits that when first put to him, he did not even know that Afghanistan had had a king, and yesterday could not quite remember his name.

Nevertheless he has already discussed the proposal with the Soviet Union and with the US, and today is leaving for Pakistan for further discussions with Zia. Within months he predicts that the Russians will have pulled out altogether.

Hammer's vagueness about the history of Afghanistan may not preclude his pulling off an agreement, however. He started out on each of his businesses—nearly all of which have made him a few million dollars at least—with no knowledge at all. The most spectacular example was Occidental Petroleum, in which Hammer, then aged nearly 60 and knowing nothing about oil, casually invested. Then it was a troubled oil independent with assets of less than $100,000. Now it is one of the biggest companies in the US, with sales last year of $16bn.

Hammer's close relations with the Russians, and his father's membership of the Communist party, have led many Americans to wonder where Hammer's own sympathies lay.

In fact, Hammer expresses a deep distrust of government and an exaggerated sense of the role that the businessman should play in society.

"More businessmen should be aware that if they want to preserve our capitalist system they have to share more with the have-nots; not only in their own countries but also in the third world businessmen cannot afford to leave this to the politicians," he says.

Whether in business or in politics, what Hammer is really good at is deal-making. He knows how to charm, making a gift of the framed letters of Lenin to the Russians. To the Queen on her coronation, he presented the 17th century panelling from the Uxbridge Treaty Room, which for a while had furnished his offices in the Empire State Building. He is imaginative in his solution to any problem, and quite ruthless in seeing it through to its conclusion. He won highly sought after oil concessions in Libya by promising to drill for water as well as for oil, and printing his proposal on sheep skin manuscript, tied up with the Libyan colours.

Getting the full measure of Dr Hammer is made difficult by his remarkable skill as a self-publicist. He knows exactly what will make a good story.

He rarely makes a speech without including a special announcement. At a party to launch his book this week he revealed that he had that day received £25,000 damages from an attack made on his character by Private Eye. He held up the cheque for the photographers, ostentatiously passing it on to Business in the Community, a charity also supported by his friend, Prince Charles.

Hammer is perhaps seen in the least flattering light as the chairman of Occidental Petroleum, where his autocratic style conflicts with the more democratic needs of a large publicly-owned company.

While small shareholders give Dr Hammer a standing ovation year after year at the company's annual general meeting—always held on Hammer's birthday—larger shareholders have their doubts. Some complain that Hammer's huge deals have not been in their best interests, and that no sooner is the company making money than another ambitious international deal threatens to push it into the red again.

Despite his now almost continuous trips around the world, Hammer still makes all the big decisions at Occidental. He also makes as many of the small ones as he is able: a press release that he saw during his brief stay in London this week did not quite please him and was rudely sent back to be rewritten.

He still makes all the big decisions at Occidental

The question of who will succeed him at Occidental has been a fraught one. Over the past 15 years a number of possible successors have come and gone—Hammer initially claimed that each was the right one to run the company, only to fall out with them later. The current heir apparent is Dr Ray Irani, *Occidental's president, who, says* Hammer, is "head and shoulders above the rest. The trouble with most of them was they were always thinking of succeeding me and they couldn't wait for me to die."

Despite his years, Hammer seems fit and healthy and has no intention of dying just yet. Mr Irani may have to go on keeping a low profile at Occidental for some years yet if his *turn is to come at last*.

* *Hammer: Witness to History*. Simon Schuster. £14.95.

THURSDAY BOOK REVIEW

Blundering into Disaster

By Robert McNamara

Bloomsbury: £12.95

IN THE 1960s, Robert McNamara served as US Secretary of Defence under Presidents Kennedy and Johnson. During that time he became famous for two *things: he was* the standard-bearer of a new style of intellectual analysis which he brought to Washington from the think-tanks and the world of business; and he persuaded Nato to change its nuclear strategy from Massive Retaliation to Flexible Response, which is what our generals have been relying on for the past 20 years.

The advantage of Flexible Response was that it would be, well, a more flexible response to the threat of Soviet aggression. The superiority of Soviet conventional forces over those of Nato was discovered to be less than had been feared; Nato's forces could be strengthened to make good the shortfall; there was no longer any compulsion for Nato to use nuclear weapons at the drop of a Soviet hat.

Instead, Nato's nuclear weapons could be restricted to circumstances: to deter the Soviet Union from using nuclear weapons, and as a last-resort response if conventional defeat was staring Nato in the face.

Since those days, however, Mr McNamara has become famous in a very different role in the nuclear debate, not merely as a critic of salient elements in the defence doctrines of the current Republican Administration, but also as a self-critic of the nuclear doctrine which we have been relying on for a *generation* and more.

In 1982 and 1984, in two articles jointly written for Foreign Affairs with McGeorge Bundy, George Kennan and Gerard Smith, he denounced Flexible Response, and called on Nato to adopt a doctrine of No First Use. In this new book he enlarges on his critique, in terms that are lucid and impressive, though without, I think offering solutions to our nuclear dilemma that are absolutely watertight.

The nature of the dilemma, according to McNamara, is that Nato is commited to the proposition that it would be the first to cross the nuclear threshold, because the necessary strengthening of the conventional forces simply never took place; and yet, he says, "No human mind has conceived of how to initiate the use of nuclear weapons with benefit to the initiator."

He quotes the view of Field Marshall Lord Carver that any nuclear exchange would be bound to leave Nato worse off in terms of casualties and destruction, if only because the invasion would have taken the war into Western Europe.

In general, according to McNamara, nuclear weapons have no military value whatsoever because their use cannot be limited and cannot be controlled; they can only serve to deter a nuclear attack by the other side.

Nor is this a sudden conversion, he claims. In the 1960s he recommended to both Kennedy and Johnson that they should never, under any circumstances, initiate the use of nuclear weapons; and he believes they accepted his advice, even though it was at variance with the official rhetoric of the times.

His solution to the dilemma is not the negotiation of a nuclear-free world, along the lines of the blueprint proposed 18 months ago by Mr Mikhail Gorbachev, the Soviet leader, nor is it some version of the Star Wars programme so dear to President Reagan. A nuclear-free world is simply unattainable; but a nuclear weapon arsenal restricted exclusively to deterrence against nuclear attack could be quite small—say 500 warheads compared with current totals of 25,000 on each side. Not merely would President Reagan's Star Wars not make us safe, it would further accelerate the arms race, and might make us very much less safe because of the fears it could generate in the other side.

No, the McNamara recipe is less spectacular than either of these: Nato should strengthen its conventional forces, which he claims it could do at modest cost, to create an effective conventional deterrent; and it should seek (for the first time) to develop an agreed conceptual framework for the management of relations with the Soviet Union through "sustained engagement," and dialogue which should be broad-based, multifaceted and continuous.

There is much good sense in McNamara's analysis. And yet disenchantment with the military utility of nuclear weapons confronts the non-nuclear members of Nato with a conundrum which is no less troublesome for being familiar.

If nuclear weapons only serve to deter attack by nuclear weapons, and have no more immediate military utility, then several great holes are blown in the most fundamental assumptions of Nato doctrine, starting with the belief that America's commitment to the defence of Europe can be ensured by the ladder of escalation from battlefield nuclear weapons right up to long-range strategic missiles.

For its own protection, the US only requires long-range strategic nuclear weapons; in which case its contribution to Nato's defence is essentially limited to conventional forces. McNamara does not solve or even address this follow-on problem; but if Nato's Flexible Response doctrine is as defective as he says it is, he will have done his duty by formulating a critique which ought to *advance the argument*.

Ian Davidson

Men and Matters

High cost of learning

The Japanese government's desperate efforts to expand the domestic economy may bring an end to the United Nations university's long search for a permanent home in Japan.

The UNU, which was set up 12 years ago to carry out research into pressing global problems, was located in Japan because the Japanese Government agreed to provide an endowment of $100m for it.

The agreement with Japan also stipulated that the Japanese government would provide a site for the university in Tokyo. However, this has never been done, partly because of the high cost of land in the Tokyo area.

Meanwhile, the university operates out of an office building in Tokyo's fashionable Shibuya area.

In the late 1970s, the government offered the UNU some *sites* that were unsuitable, either because they were outside Tokyo or were too small. In 1981, a reasonable site was offered by the Tokyo metropolitan government in Shibuya. But the national government's education department has dragged its feet on providing funds for developing it.

Now Shin Kanemaru, deputy prime minister, has said at a cabinet meeting that construction should begin immediately as a means of boosting domestic demand and preventing any damage to Japan's international reputation. He is supported by the education minister, Masajuro Shiokawa.

However, the UNU's battle for a home may not yet be over. Toshiyuki Inamura, director general of the environment agency (a cabinet post), has opposed the construction in high-cost Shibuya on the grounds that it would run counter to the government's efforts to cool land prices.

Inamura suggested that the Shibuya site should be used as a park symbolising the United Nations, and the UNU headquarters should be built at the Tsukuba Science City in Ibaraki prefecture north-east of Tokyo, or in Western Japan.

Neither of those remote spots would be popular with UNU's sophisticated international staff.

"What do you mean an offensive weapon? I'm an English batsman."

Broomstick trade

The dreaded Witching Hour in the New York securities markets is when share prices are sometimes driven to perform like Whirling Dervishes by the simultaneous expiry of a host of stock and market index futures contracts.

When Kenneth Leibler, president and chief operating officer of the American Stock Exchange (Amex) was in London recently, I asked him about the danger of this undesirable, if entertaining, US custom being exported to other leading markets.

Leibler is an old option markets hand. His European trip coincides with the run-up to a significant extension of market index trading. From June 22, *options on the Amex's Major* Market Index (the second most active of the US stock index option contracts) open for trading on the Amsterdam Options market.

European funds will then be able to hedge their US portfolios via the Major Market Index (MMI) at a time when US markets are closed.

Leibler was anxious to dispel *my nightmare of a future* Global Witching Hour. "Hopefully we will arrange it so that not all these major contracts expire at the same time."

Amex, which has been in the forefront of the expansion of option trading in New York, also wants MMI options to be traded in London. But negotiations still have some way to go.

About 1,000 option contracts *on the MMI are being traded* each day in the US.

Beneficial bonds

London's role as the centre of the world Eurobond market is paying dividends in many directions. But few businesses have derived more direct benefit than Williams Lea, the specialised City of London printing group.

In 1982, the company set up its first overseas printing operation for Eurobond and other financial documents with a partner in New York.

Between then and now, when it is celebrating a new link with the Tokyo-based printing company Takara, it has established 56 outlets in North America, and three more in Sydney, Melbourne, and Hong Kong.

The deal with Takara, says Tony Williams, chairman, puts into place one of the key parts of the jigsaw he has been assembling to keep in step with the globalisation of the capital markets.

Although the agreement has taken three years to negotiate, the delay has been worth it, he says, because Takara is the "most respected" financial *printer in Tokyo, and shares* "the same private company culture" as Williams Lea.

The British company offers a 24 hours-a-day service to keep up with the fast response time demanded by the markets, and it has found that Takara has similar flexibility.

After Japan, Williams Lea is already close to finalising similar overseas arrangements in Paris and New Zealand—and will then be setting its sights on Frankfurt and Zurich.

It all seems a far cry from the early 1970s, when the group decided to move out of magazine printing — it was the first printer of the Radio Times—to concentrate on the financial sector.

No change

Luiz Carlos Bresser Pereira, Brazil's finance minister, has a sense of humour large enough to embrace his mountainous problems.

Asked by a journalist to reveal the exact size of the country's foreign debt, he answered in dollars.

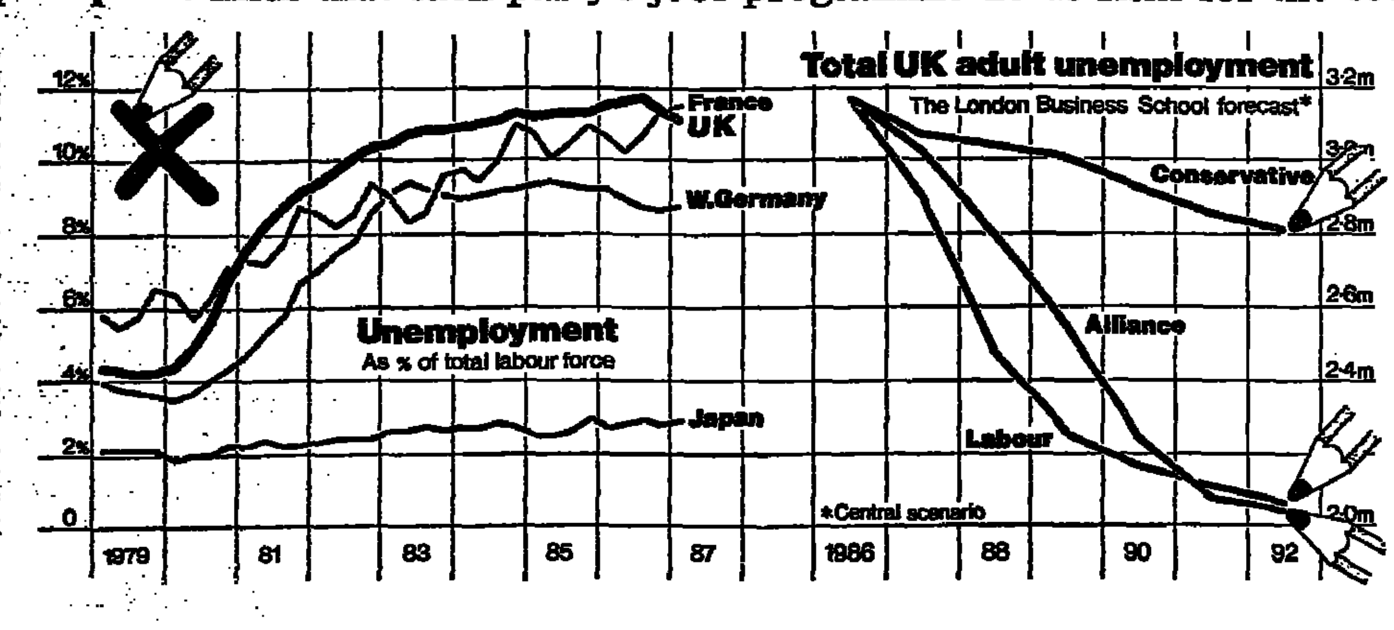
But how much was that in cruzados, his questioner persisted.

"All of them," replied the minister.

Observer

Promises, promises, promises

Philip Stephens finds that each party's jobs programme holds risks for the economy



MORE THAN 1m new jobs since 1983—a better performance than the rest of Britain's European Community partners put together—says the Conservative manifesto; more than 700,000 jobs lost since 1979—a worse record than those same countries combined — is the retort of its Labour and Alliance opponents.

The claims and counter-claims have become routine in the barrage of statistics accompanying the emergence of unemployment as a central issue in the election campaign.

Labour calls for urgent action to cut the 3.5m jobless total. Lord Young, the Employment Secretary, says that the official figure for May (due a week after the election) will show that it has dropped below 3m.

Whatever the precise number, unemployment at such levels after eight years of Conservative government has not been easy to explain away.

The party's refusal to set any sort of employment target for a third term has dented its otherwise slick and confident campaign. One of the few occasions in the past few weeks when Mrs Thatcher appeared lost for words was when she was reminded on television of her scathing criticism of Labour a decade ago for allowing unemployment to rise to 1.3m.

Statements in the Conservative manifesto that high unemployment is one of the most intractable problems facing all western industrialised nations cannot be faulted for honesty. They do, however, convey a sense that the Government is unable or unwilling to move decisively to cut the dole queues.

Labour and the Alliance have sought to revive confidence in the view that governments can, and must, take direct action to reduce unemployment. Both have promised to cut the total by 1m—in Labour's case within two years, in the Alliance's within three.

The question for the electorate is whether, as the Conservatives allege, these are simply cruel and cynical promises without hope of fulfilment; or whether a change of direction in economic policy offers a reasonable chance of significantly lower unemployment without the threat of runaway inflation.

First, though, the voters have to decide what is happening now. Much of the Conservative case rests on the view that the 190,000 fall in the official total since last summer marks a turning point in the outlook for Britain's labour market.

For Lord Young it is proof that the combination of an economic strategy devoted to control of inflation and to supply-side measures (tax cuts, privatisation, curbs on union power) to improve the operation of the economy is working.

What the Conservatives offer in a third term is in essence more of the same; as the manifesto puts it, creating the environment in which enterprise will flourish and more jobs will be generated. Steady economic growth, increased incentives, and measures to allow markets to work more efficiently are the only realistic ways to create permanent new jobs.

The charge from the opposition is that the recent fall in the official total is a mirage — the result of measures which have discouraged substantial numbers of people from registering as unemployed. These people have either been reclassified, perhaps as sick rather than unemployed, or simply have ceased to claim benefit.

Mr Richard Layard, Professor of Labour Economics at the London School of Economics and a long-standing critic of the Government's employment policies, estimates that the Restart programme for the long-term unemployed and a stricter eligibility test account for almost all the recorded fall.

Many other economists are not quite so pessimistic. They attribute some at least of the improved outlook to faster economic growth (fewer jobs being lost in manufacturing, more created in services) and to an expansion of special employment measures.

But Lord Young's case has not been helped by his dismissive attitude to the views of economists, and his preference for anecdotal evidence—such as vacancy advertisements—from the "real world." Nor have his exhortations to journalists to "have faith," while his department steadfastly refuses to provide the statistics they request, instilled great confidence in the official jobless figures. Amid the political bickering there is one common thread in the three manifestos—some degree of commitment to expand and improve official training and job schemes.

Despite initial scepticism, the Government has already moved a considerable way in that direction. The Youth Training Scheme for school-leavers has been extended to two years, the Community Programme for the long-term unemployed greatly expanded, the Job Training Scheme set up.

For the next parliament the Conservatives are promising a YTS place for every school-leaver (those who refuse will have benefit withdrawn), a guarantee of help for young people out of work for between six and 12 months, and similar assistance for all the long-term unemployed aged 50 or below.

The opposition parties insist that those plans are inadequate on two counts—that the guarantees are not comprehensive enough and that training is substandard.

The promise to the long-term unemployed is not necessarily of a job or training scheme—they may simply be offered a place in a "Job Club" which provides short-term assistance to encourage the unemployed to apply for work.

A recent study by the National Institute of Social and Economic Research indicates that the standards of training for clerical work which the YTS aspires to are below the accepted minimum in countries like France.

The Labour and Alliance programmes thus have a common theme. The more than 1m people who have been out of work for over a year will be guaranteed a job or training place.

Those places will be provided through a crash programme of investment, additional employment in public services such as health and education, and expansion of, and additions to, employment and training schemes.

The central difference between the Conservatives and the opposition, however, is not about training. It centres on the whole thrust of macroeconomic policy.

Crucially, Labour and the Alliance believe that more public spending and borrowing are essential to create more investment and jobs; and that tax cuts are the least effective way to put people back to work.

Labour envisages that the net cost of its immediate programme would be £6bn a year —paid for by increased public borrowing and by the reversal of this year's 2p cut in the basic rate of tax. The Alliance foresees that its borrowing requirement in two years' time would be £8bn above current levels.

The argument is that additional borrowing would represent an investment in the future rather than public profligacy, while extra spending would be much more effective than tax cuts in generating employment. The exact figures are highly contentious, but few economists would disagree that in the short term at least, targeted public spending should generate at least three times as many jobs as equivalent tax cuts.

Neither opposition party is offering generalised reflation. Both have indicated that a new injection of demand into the economy will have to be targeted on the most depressed areas and in industries where there is a high demand for domestic rather than imported goods.

Both parties have also focused on supply-side measures to encourage private employers to take on additional workers. The Alliance is proposing training and employment incentives; Labour wants reductions in employers' national insurance contributions in selected areas.

They acknowledge, however, that any expansion of the economy would involve both a risk of accelerating inflation and an initial deterioration in the trade balance.

In part, they are relying on evidence that many of the long-term unemployed have been effectively shut out of the labour market. The argument is that such people, usually unskilled or poorly trained, exert only minimal influence on pay awards so could be put back to work without generating a new wage-price spiral.

Similarly, the hope is that by focusing additional public investment in areas such as housing construction, the additional demand will not generate an immediate surge in imports.

The Alliance also proposes to counter the inflation risk through pegging sterling's value in the European Monetary System and through the introduction of a tax-based incomes policy. The latter idea, developed by Mr Layard, would impose a tax penalty on companies which agreed wage rises above an accepted norm and not "earned" through better productivity.

Labour, whose bitter experience with incomes policies in the 1970s has left a permanent scar, has nothing so concrete—its hopes rest on holding down public sector pay awards and on achieving a voluntary consensus in the private sector.

It is here that its opponents see it at its most vulnerable, particularly given the commitment to the trade unions to introduce a new minimum wage. Mr Neil Kinnock, the party leader, has acknowledged that inflation could rise—temporarily he insists—to 7 per cent. Mr Nigel Lawson, the Chancellor of the Exchequer, says that the figure would be at least twice that.

In fact it is uncharted territory. There are undoubtedly risks. What Labour and the Alliance insist is that they must be taken.

For what they are worth, the computerised simulations run by the country's two main independent economic forecasting groups suggest that the target of 1m off the dole queues is achievable—though in four or five years rather than two or three.

Both groups, the National Institute and the London Business School, believe that there would be costs in terms of inflation and the balance of payments—but they could be contained. Conservative policies involve fewer risks but much less prospect of a sizeable fall in the jobless total.

The choice, of course, is up to the electorate.

Samuel Brittan will resume Economic Viewpoint shortly.

JOE ROGALY

Hands off the BBC

THE GOVERNMENT has leaned hard enough on the BBC. Never mind that this week's story of a row rests on little more than a telephone call from Mr Norman Tebbit, the chairman of the Conservative Party to the chairman of the BBC. We are in the midst of an election campaign. Mr Tebbit's weight is that of Mrs Thatcher's Government. It is potentially enough to crush the spirit of all but the most steely of broadcasters. So the time has come for those of us who have long regarded the BBC as editorially irresponsible to turn around and defend it.

"Editorially irresponsible" requires a little explanation. In newspapers, the editor is responsible for what appears in print. In some instances that might mean "responsible to the proprietor"; in others it means professional responsibility for trying to ensure that what appears is reasonably fair and objective. Whatever the brief, there is usually an individual whose task it is to see that what is published conforms to certain standards. In nearly every case this person is regarded as fully stretched by that task alone: administration, and the direction of the business, do not come into it.

Until the series of management changes that began with the appointment of Mr Marmaduke Hussey as chairman of the board of governors last October the director-general of the BBC was, to all outside appearances, a combination of editor and chief executive. His responsibility was to provide for objectivity and balance in the impartial tradition that until, say, 15 or 20 years ago was invariably associated with the BBC—while at the same time managing the equivalent of a billion-pound company. It sounds difficult enough. It becomes impossible when two other factors are taken into account.

The first is the sense of self-importance that grew inside the corporation over the post-war years until — before Mrs Thatcher's government began to humble it—it became one of the more arrogant of our national institutions. Ask anyone who has had dealings with Broadcasting House, especially in the years before, says, 1983. The second factor is the presence inside the BBC of a persistent belief that the individual programme-makers are themselves editors—that, given a segment of air time, what they do with it is entirely their own business.

It would be false to go on from there to assert, as some do, that the majority of programme-makers are Left-inclined, and therefore guilty of bias against the Conservatives. There is no evidence for this; Labour has complained of bias as often, and as loudly, as anyone else. Thee real cause of an absence of responsibility has been the imperative to get good pictures, to make an appearance of an argument when there is none, to grab and hold the attention of the audience. These have all too often taken precedence over content. Equivalent pressures do, of course, exist in the printed media, but in those that aspire to objectivity the system of editorial control usually prevails. The point about the BBC is that until Mr Hussey's regime was installed there was no effective mechanism to ensure this.

But now there is a new regime, Mr Michael Checkland, the new director-general plainly sees his role as more that of a chief executive than an editor. Mr John Birt, the new deputy director-general, has been given editorial responsibility for all news and current affairs programmes. A workable mechanism is therefore in place. It might have sorted out Mr Tebbit's weekend problem—over a programme's indecision on whether to feature Mr David Owen without the balancing presence of Mr Cecil Parkinson for the Tories—on its own.

Thus, attacks on the BBC (a police raid here, a Tebbit thunderbolt there) can no longer be explained away by reference to its lack of good management. This is the time to stand back. For as long as we have a national broadcasting authority (and new technology may change all that within a decade), the ultimate consequence of further leaning could be to saddle Britain with a French-style government mouthpiece. We can all be confident that the Conservatives don't want that, can't we?

This is the first in a series of regular weekly columns.

Letters to the Editor

Charm of a hung Parliament

From Mr J. Taylor

Sir,—Many people in business and in the City are understandably fearful of the possibility of a "hung" Parliament. In part this stems from fear of the unknown and in part from a feeling that coalition government, a probable consequence of a "hung" Parliament, is necessarily weak and ineffective.

It is my belief that these fears are exaggerated and that business might, in the event, find much to its liking in a coalition government.

West Germany and Italy have prospered under coalition governments. Living standards (ie GDP per head at 1980 constant prices adjusted for purchasing power parities against the dollar) have increased in West Germany by 18 per cent since 1979 and in Italy by 10 per cent. This compares with 9 per cent in the UK (which has had the benefit of £60bn of North Sea oil income).

The Alliance, which would be an essential ingredient in any coalition government, is firmly committed to a free market. The more important achievements of Mrs Thatcher's administration — privatisation, union legislation, deregulation, etc—would be secure. To these would be added entry into the EMS, an increased emphasis on employment generation, infrastructure improvement and a commitment to improving education and training. The Alliance package could be financed without additional taxation.

A coalition should also bring a period of consensus and continuity in contrast to the traditional seesaw of extreme opposites. This may mean less government than in the past, but it could provide a stable environment in which business, industry and the City may prosper and plan for the future.

Jonathan F. Taylor.
Portland House,
Stag Place SW1.

Unlikely scenario in Venice

From Mr A. Sherani

Sir,—Your editorial on June 2 praised the Japanese authorities for the Y6,000bn fiscal boost and suggested that pressure should be applied on the German representatives in Venice to undertake something on a similar scale. Assuming that 90 per cent of the Japanese package is implemented in the current Japanese fiscal year (as planned), this would amount to about $37bn. If the West German authorities also decided to undertake a fiscal boost on a similar scale, as you suggested, there would be a huge savings shortage on a global scale. The resultant demand generated would help to bring down the US trade deficit, by about $30bn on our estimates, though this would still leave a US trade deficit of around $100bn.

The resulting savings shortage however would almost certainly lead to a sharp rise in nominal and real interest rates in the world. The negative impact of this would be hard to quantify on the other OECD countries because of the positive effects of higher exports, but it would almost certainly lead to a new round of debt rescheduling crises in Latin America and other debt ridden Third World countries.

It is imperative therefore, that the spotlight in Venice should not only be turned onto the Germans to undertake a fiscal boost, but also on the US to cut its budget deficit at the same time. Unfortunately, it seems extremely unlikely that these two governments will agree to adjust their fiscal policies simultaneously.

Arif Sherani.
(Senior Economist),
Banque Paribas Capital Markets,
33 Wigmore Street, W1.

Employment: the real debate

From Professor P. Minford

Sir, — Professor Layard's response (June 2) to my letter repeats the confusion with which he started this particular hare. He jumps from the Labour Force Survey's estimate of those seeking work up to spring 1986 to a projection of what they may or may not do a year later. Such a projection is sensitive to unpredictable variations in the rate at which people who could work in principle actually decide to seek work in practice; it is simply unwarranted to dress up a projection of this sort as a fact. The only fact we have about current unemployment is the rapidly falling claimant count, the traditional regular measure and object of policy concern in this country. That is the essential point.

The subsidiary point is that in comparing it with the alternative LFS measure, the claimant count is not "fiddled" to give unnaturally low estimates of unemployment as the opposition has claimed; if anything, on this basis it overstates unemployment. If Professor Layard wants to join others in playing the "real" unemployment numbers game, the FLS gives him little comfort; he and the rest of the opposition would be better advised to stick with the claimant count.

(Professor) Patrick Minford.
University of Liverpool,
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PO Box 147, Liverpool.

Essential task of manufacturing

From the Managing Director, Whatman Reeve Angel.

Sir, — Mr Haran (May 28) is seriously misguided if he believes that savings in raw material costs, following a stronger pound, compensates UK exporters for their loss of revenue. This ignores the essential task of manufacturing, namely to add value. In the case of the UK, a relatively high cost producer, we need to add all the more value in order to compete at home and overseas.

Take a fair example of a competitive UK company exporting products at an optimum local market price. It has a gross margin, after 30 per cent raw material costs, of 50 per cent, an overhead structure of 35 per cent and a healthy resulting pre-tax profit on sales of 15 per cent. Now reduce the local market revenue from 100 to 90 following a 10 per cent revaluation "offset" by a reduction of 10 per cent in raw material costs. The pre-tax profit plunges from 15 per cent to 8 per cent with all the repercussions on cash flow, borrowings, investment, employment, and contribution to the country's standard of living. A revaluation of 20 per cent, a not unheard of phenomenon of late, reduces the operation to break-even.

Manufacturers are constantly concerned at the low level of understanding in this country of the contribution that manufacturing makes to our standard of living and the environment which this sector needs in order to flourish.

We are also, not unjustifiably, accused of being poor advocates of our own cause, so may I put the record straight on one popular misconception.

Jeremy Leigh Pemberton,
Springfield Mill,
Maidstone, Kent.

Voting in Australia

From the Managing Director, Ord Minnett.

Sir,—I refer to the article by "Observer" (June 1) on the forthcoming election in Australia and hasten to correct his impression that it is a "first past the post" system.

It is in fact proportional representation in both the lower and upper (Senate) houses and every candidate must receive a vote by numbered preference.

Failure to number every box on the ballot paper results in an informal vote. This means that many seats are decided by preferences — especially second preferences, which until recently, greatly favoured the coalition party of the Liberal (your Conservative party) and National (Country party) as they often have two candidates contesting the same seat and they swap preferences. (Australia's answer to tactical voting!)

The Senate is a nightmare as there could be ten parties or independents each with at least six candidates (six per state of the major parties are elected) and again as every box on the ballot paper has to be numbered, this again leads to a high informal vote and takes several weeks to calculate after election day.

On the question of "compulsory" voting—this also is not quite how it sounds. It is not compulsory to cast a vote. You simply have to turn up and have your name ticked off the electoral role, to avoid the fine. You do not have to place your voting papers in the ballot box.

At the last election the informal vote was between 6 per cent and 10 per cent in certain electorates and this could be even higher as it is the first general election held in winter, since 1943 in Australia.

J. P. Gunning.
1 College Hill, EC4.

Trunk call charges

From the Director General Office of Telecommunications

Sir,—In your article about privatisation (June 2), you state that "in 1986 there was a 14 per cent reduction in BT's trunk call charges. However, this was offset by a 25 per cent increase in the cost of local calls." In the interests of accuracy, perhaps you will permit me to correct this statement.

BT's average local call charges increased in 1986 by 18.9 per cent at peak rate and by 6.4 per cent at standard rate but were decreased by 3.6 per cent at the cheap rate which applies in the evenings and at weekends. Twenty-five per cent is far from being a representative number. Trunk call charges were changed by amounts that varied according to the route and time of day. Short calls were increased by one or two per cent and longer calls were reduced by amounts varying from 6.2 per cent to 17 per cent. These numbers were given in my statement "Review of British Telecom's tariff changes," published last November.

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Death squads on the return in Rio

By Ivo Dawney in Rio de Janeiro

TWENTY-SIX raiders, armed with shotguns, army pistols and machineguns, *calmly sealed off the exits* to Rio's five-star Othon Palace Hotel in the early hours of Monday and for almost half an hour, proceeded to empty its safe deposit boxes, escaping without a shot.

The raid – carried out on the heavily policed beach-front of Copacabana – has come as a bitter blow to Governor Wellington Moreira Franco in his "civil war" against crime.

But the military precision of the robbery, which involved the sealing off by the bandits of a whole city block, at least ended without violence.

Since the Governor *came to office* in March on a promise of wiping out crime within six months, the homicide rate in what was already one of the most violent cities in the world has exploded.

The statistics, almost certainly underestimated, have registered some 1,100 killings in the first five months of this year, most of them in the impoverished sprawl of Rio's industrial hinterland.

On the day of the Governor's inauguration, 17 corpses were found. And in March alone, the murder *rate increased 7 per cent.* Last weekend another 17 bodies emerged, the weekend before 26. One investigating police officer claims the real body count is now about 10 a day.

The almost universal explanation for the upsurge of killings is that the death squads are back. While organised crime-related murders – enhanced by the growing drugs trade – could account for some of the increase, the systematic nature of the assassinations defy any other conclusion.

Fighting the crime wave in Rio's teeming shanty-towns has proved near to impossible. Last weekend, police and army units, armed to the teeth, searched one notorious district but emerged with just seven arrests on minor charges.

The causes are less illusive. With real living standards again crashing as a consequence of Brazil's dire economic crisis, armed assaults have soared. Official justice and law enforcement, administered by an underpaid, undermanned police force and overworked courts, has all but completely broken down.

The frustration has bred countrywide a backlash that in the state of Bahia has led to 24 mob lynchings, and in Rio and Sao Paulo, the death squads. Senior police officers in both cities admit that at least some of the extermination gangs are aided or carried out by disenchanted policemen.

Rather, however, than discourage crime, the emergence of rough justice has acted as a *smokescreen for* other killings motivated by vengeance or profit.

Indeed, the profit-motive, an obscene privatisation of justice, appears to be the chief driving force behind the death squads, if an astonishing interview with an alleged Rio policeman is to be believed.

Published by the highly respected newsmagazine Isto E, the anonymous killer coolly explained that his services – Cr 50,000 (about $1,700) minimum charge – are offered to the whole spectrum of society from businessmen to residents' groups.

"There was a bloke from a commercial association who wanted to clean up his district, but didn't have the money," he explained. "We did a deal, he agreed to look after the maintenance of our truck and we looked after his troublemakers in return."

Did he only kill for money, asked the interviewer. "Only," came the reply. "Our institutions have failed, there's no point in running a risk for them."

Despite the war raging in its backyard, Rio's better-guarded middle-class has until recently attempted to close its eyes to the bloodletting.

Peter Bruce reports on Tokyo's constitutional embarrassment

Japan set to defend Gulf policy

THE JAPANESE Government is preparing an elaborate defence in case it comes under pressure during the world economic summit in Venice next week to do more to help the US secure the flow of oil from the Gulf to the West.

After the USS Stark was hit by Iraqi missiles 19 days ago,with the loss of 37 American lives, furious US congressmen turned almost instinctively on Japan, accusing it of getting a "free ride" on defence in the Gulf although 60 per cent of its oil imports pass through the Straits of Hormuz.

In spite of the Japanese claim that their constitution would not allow the use of their forces so far from home, some foreign policy officials and government defence specialists have obviously been stung by the harsh criticism of their absence from the Gulf.

The issue is embarrassingly easy to link with Japan's big trade surplus with the US, which gets only 7 per cent *of its crude from the Gulf.*

The criticism and questioning has had officials wriggling in their seats.

Asked recently by a US television reporter why the US should go on protecting, at the cost of American lives, an area on which Japan is more dependent economically "and does nothing to protect," a Foreign Ministry spokesman could only reply: "There are many ways to contribute to the security and stability of the region...we have been contributing to United Nations efforts for peace and the peacekeep*ing activities of the* United Nations."

Mr Nakasone with Mr Reagan in Washington this year

That is not what the Congress wanted to hear, although so far the US Administration has not joined in the congressional attacks. But neither has it publicly let Tokyo off the hook.

Japan's post-war constitution would indeed restrict the movement of Japanese troops – in fact, until it was liberally reinterpreted in 1954 it banned the possession of weapons and troops altogether. Since then, however, it has been interpreted even more flexibly and Japan now operates in a "defensive" capacity up to 1,000 nautical miles from its shores.

There is constant debate in the US about just how strong Japan should be allowed to become – just as there is in Japan – under the US-Japanese security treaty that makes the US the *ultimate guarantor* of Japan's independence.

But even people who want Tokyo to do more militarily would probably baulk at the thought of Japanese destroyers in the Gulf, let alone in the Indian Ocean. The effect on China and the south-east Asian countries once occupied by Japan would be electrifying.

No Japanese government is yet able to win support in the country for such a move, anyway, but the fact that the constitution has already been corrupted and that the trade issue has put Tokyo on the *defensive may encourage US for*eign policy hawks to try and crank up Japan's security commitments.

If confronted in Venice, the Japanese are bound to fall back on the constitutional argument and the fears that their neighbours, particularly China, have of wider Japanese rearmament.

Although Foreign Ministry officials say they are sure they will not be pressed in Venice to give any material or financial assistance in the Gulf by President Ronald Reagan, their concern is no secret.

Prime Minister Yasuhiro Nakasone would again promise to strengthen the country's diplomatic efforts to end the war between Iran and Iraq but, said an official, "we have exhausted all the major initiatives. *If we were able to find one* this time we would have made the move long ago."

Mr Nakasone, who would also press the summiteers to stop selling arms to the combatants, tried in 1984 to end the Iran-Iraq war in what would have been the country's first diplomatic intervention in a foreign conflict since 1945. His initiative failed, and although Japan still has an important and relatively neutral position in the war zone, its room to manoeuvre there is increasingly limited.

Iran and Iraq account for only around 9 per cent of Japanese oil imports – 10 years ago Iran alone supplied 22 per cent of Japan's oil – and Mr Nakasone's best defence in Venice may simply be to promise to keep those lines of communication open.

South African budget boosts security and black education

BY ANTHONY ROBINSON IN JOHANNESBURG

FROZEN foreign funds will be mobilised to help finance higher South African Government spending in a stimulatory budget which also provides for substantially higher allocations to the security services and black education.

The budget, introduced yesterday by Mr Barend du Plessis, the Finance Minister, was delayed for nearly three months by the whites only election on May 6. It makes no change to company and mining taxes and leaves personal income tax rates at the reduced top marginal rate of 45 per cent which was introduced in the February mini-budget.

Spending on education, the largest single item of expenditure, will rise by 20 per cent to R9.1bn ($4.5bn), while spending on black education outside the "homelands" will rise by 40 per cent, the minister added. Spending on the police and the defence forces is also sharply higher. The police budget rises 43 per cent to R1.53bn, reflecting the costs of the state of emergency, while spending on the defence forces rises by 30 per cent to R6.68bn. Higher defence spending reflects the cost of the new weapons systems like the Cheetah fighter aircraft, the new combat support helicopter and the G-6 long-range mechanised cannon.

Over R1bn is allocated to support the farming sector, while industry will benefit by around R100m from abolition of the import surcharge on raw materials and intermediate products.

Ignoring business pleas to follow the UK example of stimulation through lower taxes, the budget opts instead for a 16.2 per cent rise in Government spending to R46.86bn. Higher spending, added to the R1bn tax concessions introduced in the February mini-budget, are expected to ensure growth of 3 per cent this year after a disappointing 0.7 per cent increase in 1986.

Revenue is budgeted to rise by only 12.6 per cent to R38.44bn, leaving a deficit of R8.42bn, equivalent to 4.7 per cent of GDP, to be financed by borrowing. This is far higher than the 3 per cent limit suggested by the International Monetary Fund.

Of this total some R1.2bn will be drawn from foreign funds frozen by the September 1985 debt moratorium and deposited with the Public Investment Commissioners (PIC).

Mr Du Plessis noted that in terms of the second interim debt agreement signed with foreign banks in March, South Africa will only have to pay 13 per cent of the original *$14bn of frozen foreign bank credits* over the next three years.

"It can therefore be accepted that a large portion of these funds will remain with the PIC for a good while yet" and will be used for exchequer financing of short and medium *term loans,* he said.

UK Tories' election confidence jolted

Continued from Page 1

having an overall majority. This has highlighted the strains on the Alliance if it held the balance. After a series of ambiuous statements yesterday, Mr David Steel, the Liberal leader, said last night that the Alliance would be prepared to talk to Mrs Margaret Thatcher but only to tell her to go.

Earlier, Dr David Owen, the SDP leader, who is strongly opposed to any deal with Labour, suggested that there might be room for negotiation with Mrs Thatcher if she was prepared to be more flexible.

He said what mattered was "policies, not personalities." The two leaders said in a joint statement last night that they were ready to negotiate with either Labour or the Tories and would talk first to whichever had the largest number of MPs.

However, an NOP survey for the Independent newspaper of nearly 2,000 voters in 52 key marginal seats shows little change over the past week, indicating a Tory majority of 100. Taken on Tuesday, the figures, when translated on a nationwide basis, point to a Tory share of 43 per cent, up a point over the week, against 34 per cent for Labour and 20 per cent for the Alliance, down a point each.

Before last night's polls, Mrs Thatcher said she did not accept that the Tories were faltering

Germany gives backing to Airbus

Continued from Page 1

Mr Riedl said he would hold talks with McDonnell Douglas representatives at the Paris air show, which begins on June 11.

The US company and Airbus Industrie broke off talks on collaboration last September, but McDonnell *Douglas* has since resumed contacts with governments and industrial partners in Britain, West Germany and France on ways of teaming up.

Pooling efforts in one specific long-range airliner sector – where the A-340 will be competing with McDonnell Douglas's newly-launched MD-11 – have now been *given up. But the US company has* suggested co-operating on a range of other aircraft types, including a stretched version of Airbus's latest narrow-body A320 and a possible new aircraft to challenge directly Boeing's heavy-selling 747 series.

Additionally, McDonnell Douglas has been interested in work on the *A330 – which could eventually lead* to production of that aircraft at the company's facilities in the US.

Sir Joh quits Australian elections

By Chris Sherwell in Sydney

AUSTRALIA'S opposition Liberal and National parties quickly began rebuilding common positions last night after Sir Joh Bjelke-Petersen, the maverick National Party Premier of Queensland, dramatically withdrew from the forthcoming Federal election.

The end of the populist 76-year-old Sir Joh's "push for Canberra" removes a wild card from the July 11 election and puts a wholly new complexion on the badly divided opposition parties' fight to end the Labor Party's four-year rule.

But while it boosts their chances of presenting a reunited front, it also highlights their leadership problem in fighting Mr Bob Hawke, the Prime Minister. Mr John Howard, the Liberal leader, is trailing Mr Hawke heavily in opinion polls measuring perceptions of their *leadership.*

Yesterday Mr Howard said that he and Mr Ian Sinclair, Federal leader of the National Party, were now "bound together" for the poll, although a formal pre-election agreement is unlikely. The parties' long-standing coalition ruptured acrimoniously in April after a savage assault from Sir Joh.

Mr Hawke insisted yesterday that the opposition's divisions remained unaltered even without Sir Joh. Abandoning parliamentary question time to move a censure motion against Mr Howard, he ridiculed the Liberal leader for going to Brisbane yesterday to "receive his marching orders."

In a joint statement, Mr Howard and Sir Joh called on "all concerned Australians to join the offensive" against Labor. But Sir Joh, bitterly disappointed by his defeat, explicitly refrained from endorsing either Mr Howard or Mr Sinclair.

For his part Mr Howard, who in April blamed the coalition break-up on "thuggery" from Queensland, said the differences in the two parties' policies were now minimal. And last night he also won the full-*hearted endorsement of his old Lib*eral rival, Mr Andrew Peacock.

In the end the Queensland leader appears to have been vanquished by the failure of key conservative figures to join his campaign, either by standing for election or offering financial and organisational support.

The final blow came on Monday, when Mr Ian McLachlan, head of the National Farmers Federation and a keen supporter of low taxes and low public spending, refused to run either for the Nationals or the Liberals.

Sir Joh said in a statement explaining yesterday's decision that the "necessary arrangements" could not be made while Mr Sinclair's National supporters refused to accept the need for change.

"Time beat me," he said later. Mr Hawke had "called an early election long, long before it was time." Sir Joh added that his decision followed "hundreds of requests" to stay in Queensland, including "representations from my entire cabinet."

THE LEX COLUMN

Adding fizz to the brew

The City was not in the best possible position to assess Guinness's distribution joint venture with Möet-Hennessy, since the bulk of the fraternity of drinks analysts were several miles up in a Concorde hired for a week by Allied-Lyons. It seems that actions talk louder than words: Guinness' share price, inert since the Bank Leu sale, gained 11p to 387p yesterday. But since Allied took off with a planeload of analysts and journalists on Monday, £96m has been wiped off its market value.

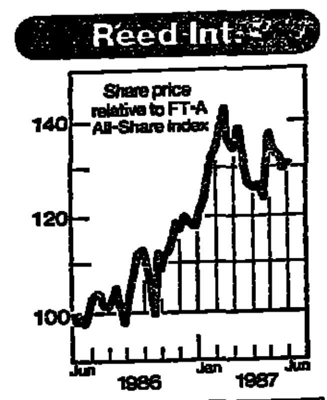
The partnership with Möet bears all the hallmarks of the style of An*thony Tennant, resembling as it* does a number of joint venture distributorships entered into by Grand Metropolitan when Mr Tennant was running IDV. While Guinness was reticent yesterday about the gains form sharing overheads on a global basis – rationalisation of Distillers is being handled with rather more tact than under the old regime – Möet asserted that there would be a significant increase in profitability.

Guinness's simultaneous announcement of the acquisition of an existing distributor in the Far East represents a slightly different aspect of the new distribution strategy: that is, to gain control of the marketing budget. That, one can be sure, was also an aspiration of the previous chief executive. This management imperative could quite logically be linked to the litigation with Schenley in the US over the Dewars name. If Guinness were to acquire Schenley, it would not only resolve the legal problem, but also fit the grand plan. And after that, Mr Meshulam Riklis might finally decide to part with his stake in Guinness, which still hangs over the market.

GEC/Creda

Creda's historic earnings will not cover the interest foregone on the £125.9m GEC has paid TI for it, but once Hotpoint's management gets to work the exit multiple could soon shrink to about 11. Alongside strengthening GEC in the domestic appliance business, there is talk of using the deal as a platform for joint ventures in Europe. Although that is no doubt the only way into decent distribution channels, it is difficult to see what GEC could offer a putative partner in that highly competitive market.

None the less, while the acquisition was hardly a surprise, it provided enough further impetus to the "stirring giant" thesis to push the price back over 240p, reducing GEC's rating discount to about *10 per cent. If this improvement is not* to be dismissed by the technical analysts as merely the longest rounding bottom in market *history, then* GEC clearly has a long way to go. The purchases and joint ventures announced over the past three months are steps in the right direction but remain pretty small beer and are not enough to provide sustained earnings growth. GEC is right to reject the mega-merger alternative, but defensive alliances in tough international markets still need to be supplemented by a shift into higer growth markets.



Reed Int'l

Those who believed the Reed International re-rating story a year or more ago are now sitting on handsome profits – while those who have missed out so far are decidedly ner*vous of buying at this stage. Even* so the shares managed a 9p gain to 459p after yesterday's preliminary results showed a 37 per cent rise in pre-tax profits to £188.2m – less spectacular increases in both measures than in the recent past, but still creditable.

By merely comparing Reed's prospective multiple of around 15 (if pre-tax profits reach £220m this year) with those of other publishing groups, and especially for the sake of this argument US ones, Reed shares still look mighty cheap.

Publishing now accounts for over half of Reed's trading profits. The proportion should rise further in the current year as the US acquisitions make full-year contributions, and the rationalisation benefits of putting them and Cahners together come through.

Should the sale proceeds of the paint and DIY division be applied to yet more publishing acquisitions, as seems likely, the return on that capital should improve too in the years ahead.

The other half of the business – paper and packaging – might appear duller, though multiples in that sector are high as well. But within the portfolio Reed has done some shuffling towards the more exciting end, typified by the sale of the paper sack company and expansion of the plastics business.

Work on upgrading the plant in both the North American and European paper businesses is being rewarded. And in office supply wholesaling Reed seems to have come across a fast-growing market.

There *may* yet be more sales of non-strategic operations which can help finance further concentration. The pace of Reed's progress, both *its profits and its shares, must slow,* but there is more to go for yet.

Investors Protection

Nobody ever said investor protection was going to be cheap. The trouble is – as the latest IEA broadside points out – nobody bothered to think about its cost at all. The spec*tre of 2,000 compliance officers and* a £100m per annum bill for regulation may indeed look frightening enough (although not to cognoscenti of the SEC) but Professor Goodhart and Dr Lomax argue it could all have been done more effectively – as well as cheaper – with no more than a generous depositor insurance scheme and capital adequacy requirements.

The only concession made in their broadly free market critique of regulation and regulators is to recognise that small investors may suffer from "informational asymmetries" and therefore need SIB rules to protect them from well informed and devious operators. What they overlook is that even City professionals struggling to master financial instruments of ever increasing complexity prefer the assurance of a strong regulatory system.

Before the system is introduced, it is futile to try to predict whether it will degenerate into a cover for cartel-like restrictive practices. Wait and see.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	22	72	Dubrovnik	S	21	70	Malta	S	23	73	Rhodes	S	22	72
Algiers	S	28	82	Edinburgh	R	9	48	Manchester	R	14	57	Rio de Jn	C	27	[illegible]
Amsterdam	C	16	61	Faro	S	25	77	Manila	S	36	97	Rome	S	23	73
Athens	S	26	79	Florence	F	23	73	[illegible]				[illegible]			
Bahrain	C	35	95	Frankfurt	C	16	61	[illegible]				[illegible]			
Bangkok	C	34	93	Funchal	S	24	75	[illegible]				[illegible]			
[illegible]				[illegible]				[illegible]				[illegible]			

Readings at mid-day yesterday: C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Suitable merger case

Continued from Page 1

strengthen their international position in the luxury and wine and spirits markets as well as reinforce family control of the new group.

Moët-Hennessy and Vuitton family shareholders will control 50 per cent of the voting rights in the company which will slip to 40.74 per cent if all outstanding equity warrants are eventually exercised. Moët-Hennessy, in particular, had been keen to strengthen family control because the champagne and cognac group has long been regarded as a potential target for a hostile takeover.

The new company will control about 20 per cent of the champagne market. Moët-Hennessy announced yesterday an important distribution agreement with United Distillers-Guinness's spirits operations to expand its sales in the US, Japan and other Far Eastern markets.

Mr Chevalier also said the merger would ensure that champagne production as a whole remained under French control. After Moët, the second largest champagne house is Mumm, controlled by Seagram, the Canadian drinks group.

The new company will be the sixth largest bourse capitalisation in France after Elf-Aquitaine, Thomson, L'Air Liquide, Peugeot and Michelin.

INTERNATIONAL APPOINTMENTS

Kaiser Aluminum elects new chief executive

BY LOUISE KEHOE IN SAN FRANCISCO

MR CORNELL MAIER, 62 and chief executive for the past 15 years of Kaiser Aluminum, the third largest US aluminium producer, last week announced his retirement. He is to be succeeded by Mr James Pasman, 56, who is also an industry veteran.

Mr Maier's departure, which had been expected by industry analysts, comes one month after shareholders approved a plan for Mr Alan Clore, the British businessman, to acquire 42 per cent of the company for $140m.

Mr Maier plans to continue until 1992 as a director and consultant to KaiserTech, the holding company newly set up to carry through the change in control. He is to retire as chief executive of Kaiser Aluminum on June 26 and as president of KaiserTech on January 1. Mr Maier will receive a $1m payment upon his retirement.

His retirement comes as Kaiser Aluminum appears set to return to profitability after five years of losses totalling $504m. Profitability is "imminent," Mr Maier says.

Mr Maier's successor, Mr Pasman, joined KaiserTech on May 1. He was formerly chairman of Aluminum Company of America, the biggest US aluminium company, from 1982 until his retirement in 1985, and was previously chief financial officer at Alcoa. He was selected for his new post by Mr Clore and his financial adviser, Mr David Stockman, the former White House budget director. Mr Clore remains chairman of KaiserTech.

Gulf and Western board move

BY OUR FINANCIAL STAFF

MR J. HUGH LIEDTKE, the head of Pennzoil, the Texas oil group, has been appointed to the board of Gulf and Western Inc, the successor company to Gulf and Western Industries. Mr Liedtke joins the board of a company spun off by the sale of Gulf and Western Industries' consumer and industrial products group in September, 1985.

He takes on the new duty at a time when Pennzoil Company, of Houston, of which he is chairman and chief executive, is involved in a legal dispute involving some $10bn and more in damages claimed by Pennzoil in a suit it has pursued against Texaco, one of the major US oil concerns, based in White Plains, New York, involving the taking over of Getty Oil by Texaco, in the face of a rival bid by Pennzoil.

The appointment is the first Mr Liedtke has taken on a board other than Pennzoil's.

"Mr Liedtke is an outstanding addition to our board," says Mr Martin Davies, chairman of Gulf and Western: "He has demonstrated broad business judgment in directing the success of his company and we look forward to his advice and counsel."

* * *

RENOUF CORPORATION, the New Zealand investment company headed by Sir Francis Renouf, had appointed Mr John Green, the former senior partner in Wellington of Price Waterhouse, the international accountancy group, to run its New Zealand banking group.

Renouf says the appointment reflects its intention to develop its banking arm to take advantage of the newly de-regulated financial climate in New Zealand.

Fuji Bank presidential changeover

FUJI BANK, one of Japan's City, or commercial, banks, has proposed the appointed of Mr Taizo Hashida, 61, as president. Mr Hashida, formerly deputy president, is scheduled to take over the new job on June 26, in succession to Mr Yoshiro Araki, who is to be chairman.

Mr Hashida will in his new job, the bank says, take on responsibility for developing the bank's role among Japanese banks at home, and also in its international business.

The appointments stand to be approved by the board after the company's annual meeting on June 26.

Under the plan, Mr Hashida is to take on responsibility for Fuji Bank's international expansion, as well as for its growth in Japan.

Mr Takuji Matsuzawa, Fuji Bank's current chairman, is to be counsellor to the bank.

New chairman at Taiyo Kobe

TAIYO KOBE Bank, one of Japan's City banks, has appointed Mr Yasuo Matsushita its new president, in succession to Mr Teruyuki Okumura, who is to be chairman.

Mr Tadao Shiotani is to move from being chairman to become director-adviser.

Mr Matsushita joined the bank last June after retiring from the finance ministry as vice minister in 1984.

Braniff moves toward change in day-to-day operations control

BY DONALD MACLEAN

BRANIFF INC, the Dallas-based airline which has come out of the reconstruction of Braniff International Inc, following a trek by the latter through the US bankruptcy courts under Chapter 11 of the US bankruptcy laws, has announced that Mr Ron Ridgeway, 41, has resigned as president and as a director, in order to pursue other interests.

The company, it is understood, expects Mr Patrick Foley, 55, currently vice chairman, to take over as chief executive, so assuming responsibility for day-to-day operations.

The old Braniff International filed for protection from creditors under Chapter 11 in 1982, and emerged from bankruptcy proceedings under the aegis of the Hyatt international hotels group, based in Chicago in 1984.

Braniff re-established itself as a going airline, basically domestic, on the basis of a slimmed down operation, in terms of routes and in terms of numbers employed and in terms of revenues. It re-established itself on a profit basis, but in the year to January it made a net loss of $9m, some half of which came in the last quarter, having been challenged by others on its cheap fare approach.

Switch at Hudson's Bay

BY OUR FINANCIAL STAFF

HUDSON'S BAY COMPANY, the diversified group which some years ago changed its domicile to Canada from the UK, has appointed Mr David K. R. Thomson as president of Zellers its department store subsidiary. Mr Thomson was formerly executive assistant in the corporate office of the company. Zellers operates 200 promotional department stores in its own name, 100 Fields family clothing stores and 20 Just Kids childrens wear stores.

Mr Thomson succeeds Mr Eric S. Paul, who has resigned to pursue other business interests.

COMMODITIES ACCOUNTANT BULLION

to £20,000

Our client, a prestigious International Commodity Broker, wishes to recruit a dynamic and ambitious accountant to join its Bullion Department.

The successful applicant will be required to liaise closely with traders and accounts staff, and assume eventual responsibility for all aspects of bullion back-up in a lively, pressurised environment.

The ideal candidate will be a qualified CCA/CMA, aged mid 20's, with a successful track record in a banking or broking environment.

For further details, please contact Tim Knight (who can also be contacted outside office hours on 01-622 6905).

SWAPS ACCOUNTANT – CAPITAL MARKETS

to £24,000 + Bens

Our client, a leading US Merchant Bank, is currently seeking to recruit a recently qualified Chartered Accountant with post qualification experience in the financial sector.

The position will involve responsibility for accounting functions relating to interest rate and currency swaps and related products, as well as for the production of financial and management accounts.

Applications are invited from confident and extrovert individuals as this role will involve supervision of staff and frequent liaison with senior management.

For further details, please contact Jon Michel or Philippa Dilley (who can be contacted outside office hours on 01-874 3891).

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The jobs carry day to day responsibility for the financial functions for the major divisions of the company, to include the provision of financial reports, expenditure control, cash management, payroll and interesting adhoc exercises. The continuing growth of the company will provide plenty of opportunities for career development.

Applicants, who must be qualified accountants, should be good communicators, accustomed to managing a team and should have a "hands on" approach to the job.

Please write in confidence with full career details and quoting reference R4427/4/L to Catherine Rowan.

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This is a high profile role requiring considerable accounting, inter personal and management skills. Responsibilities include product profitability analysis, balance sheet management, financial advice to sales and marketing professionals and the personal objective of developing the finance function.

This position offers the chance to join a company which is experiencing enormous growth following a successful launch last year with demand for its services increasing dramatically. The company is investing heavily in systems, facilities and people to reinforce the platform which has been established to satisfy current demand and increased volumes of business in the future.

Candidates should be graduates and qualified accountants, aged 28-35, and ideally be familiar with financial services although the ability to manage change is the prime requirement. In addition to salary, banking benefits include a cash mortgage subsidy, profit share scheme, life assurance and a career in one of the most prestigious groups in the country today.

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Mortgage Express,
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MORTGAGE EXPRESS

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The successful applicant will be a Qualified Accountant aged (28-45) with a proven track record in the manufacturing sector. You should also be able to demonstrate strong communication skills, man-management ability and the determination to succeed in a challenging commercial environment.

For further information interested candidates should contact Nigel A. Wright B.Sc, ACA on 021-643 6255 at Michael Page Partnership, Bennetts Court, 6 Bennetts Hill, Birmingham B2 5ST.

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Our client is a Business within a major international British Group engaged in the precious metals business. The operation is highly profitable and substantial investment in the latest automated equipment is currently being made. The company is in the process of relocating from Wembley.

Reporting to the General Manager, responsibility will be for the development of the accounting function and the implementation of new computer systems to ensure sound financial management of the activities. The appointee will be a key member of the management team and fully contribute to management strategy and decision making.

Candidates ideally in the 28-35 age group must be Chartered Accountants who have experience of managing a team and can demonstrate sound technical and commercial sense. The package will include a basic salary in excess of £20,000 p.a.; a car; 5 weeks holiday and outstandingly good prospects to move forward.

Please apply in writing to Peter Barnett quoting reference 8594, Barnett Consulting Group Ltd., Providence House, River Street, Windsor, Berkshire. SL4 1QT.
Telephone: Windsor (0753) 856723.

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Please send résumé and salary requirements to:

Claire Deane
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1 Grosvenor Place, London SW1X 7HJ

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Please send cv to Tom Wettern, 75/79 York Road, London SE1 7NP, as soon as possible.

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We are seeking an Assistant Treasurer to join our Group Treasury. Reporting to the Group Treasurer, responsibilities will include dealing on the financial markets and will involve cash, foreign exchange and short-term funding management. They will also include the operation and development of monitoring and reporting systems.

The successful candidate will be in his/her late 20s/early 30s, with a professional qualification and at least two years' experience in a corporate treasury department, banking or accountancy. A proven ability to act on one's own initiative is an essential requirement.

An attractive remuneration package is offered, together with relocation assistance where appropriate.

Applicants should write with a full curriculum vitae to:

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A qualified accountant with a strong background in management accounting, you must also have had substantial line management experience. You will need an engaging but robust personality to deal with some of your more mercurial business-generating colleagues on whom the success of the enterprise depends, so good persuasive and diplomatic skills are essential. Familiarity with large, international organisations is also important and some knowledge of the US business scene would be useful. Industrialists and others should note that financial services sector experience is not mandatory.

Résumés and daytime telephone number to Daphne Silvester, Ref. DS605.

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Reporting to the Chief Executive, the person appointed will control the financial/admin functions of the Group and advise the Board on all major financial matters.

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- Co-ordination of information systems and computer strategy.
- Treasury management, funding sources, currency exposures.
- Financial evaluation of major expansion projects.

Candidates must be chartered accountants, with a successful career record and past exposure to the requirements of an international group. The position requires a highly motivated, confident, tough-minded, manager with a strong commercial approach, able to give direction and leadership.

The position is currently based in London, with possible future relocation to the U.S. In addition to the basic remuneration package, there will be opportunities for bonuses and share incentives.

Please write in confidence, enclosing full career details, quoting reference T3794, to Anne Routledge.

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Your key tasks will be to develop an effective integrated management reporting and budgeting system for senior management. Your activities will be wide-ranging, including analysis and definition of strategic information requirements, setting performance criteria, review of business plans and budgets, and assisting in financial assessment of specific projects related to new business development.

In your mid-late thirties and a qualified accountant, you will have several years' financial management experience as a controller or consultant, and have proven experience of developing effective management information systems. As an individual you are a persuasive communicator, possess good analytical and investigative skills, and can achieve results. **Ref: 1504/BL/FT.**

Chief Accountant

Your main responsibility will be the financial consolidation and reporting activities of the group. More specifically, this will involve the development of current accounting systems, preparation of year-end statutory accounts, half-yearly figures and all statutory returns, control of subsidiary accounts, and management of the finance department.

Aged 35-45 and a qualified accountant, you will ideally have experience of managing a financial accounting function in a financial services company or will have gained relevant experience in the profession. Personal attributes will be good management skills, mature commercial judgement, and the ability to steer projects from planning through to implementation. **Ref: 1505/BL/FT.**

The scale and complexity of the business will continue to expand and opportunities in the future are excellent. The monetary rewards for these appointments are circa £35,000 plus attractive benefits including a subsidised mortgage and company car.

All enquiries will be treated in strict confidence. Please send a brief cv or telephone for an application form, quoting the appropriate reference, to Barbara Lord or Fiona McMillan, Financial Institutions Group.

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Being a young, ambitious, qualified accountant (CA/CIMA/ACCA), ideally with experience of high tech, blue chip companies, you will have drive and energy coupled with well developed communication skills. The demands of this role are great, and so are the rewards. These include an attractive salary package of £18-25k, plus the benefits associated with membership of a large, successful group. Career opportunities within the worldwide Mars Corporation are outstanding.

If this sounds like the opportunity you have been waiting for please telephone our consultant Sarah Hornby on 0784 31242 (day) or 04862 73787 (evenings/weekends). Alternatively send her your CV at Austin Knight Selection, Knightway House, Band Lane, Egham, Surrey TW20 9NX. Quoting ref: YS194.

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Candidates are likely to be graduate Chartered Accountants who have gained at least four years experience outside of the profession. Ideally gained within a service company environment, experience should have been with a company that is international, growing rapidly and diversifying its activities/interests, which will have necessitated the need for mental flexibility and systems development. In addition candidates should also clearly be able to demonstrate a mature approach, commercial acumen and flair, and the ability to relate and communicate to financial and non-financial people alike.

Interested individuals should write to Peter Flammiger, enclosing a resume and current salary details, at: Financial Management Selection, 21 Cork Street, London W1X 1HB.

Financial Management Selection

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International Group

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Applicants who possess good communication skills and enjoy working within a high-profile team should write to **Barry Ollier ACA, Executive Division, 39-41 Parker Street, London WC2B 5LH** enclosing a comprehensive CV and telephone number, quoting ref. 418.

MP

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Our client, a substantial plc, is engaged in a wide range of industrial and trading activities on five continents. With turnover in excess of £1 billion, the company is engaged in a period of expansion, through growth and acquisition.

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This is a high profile role, and the successful candidate should achieve rapid progression to a controllership.

Applications are invited from ACA's with up to 2 years' post qualification experience probably within a 'Big 8' firm. Self-motivation, commitment and the ability to communicate at all levels will be among the personal qualities required.

Interested applicants should contact David Northmore on 01-831 2000 or write to him at **Michael Page Partnership, 39-41 Parker Street, London WC2B 5LH.**

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Pension Development Manager

Chesterfield c£20,000

The Post Office operates the third largest UK pension fund with over 180,000 members and some 150,000 beneficiaries. A second Scheme, started 1 April 1987, has been introduced and is being developed to provide a flexible range of benefits at least comparable to that of commercial 'personal pension' packages. A new pension administration computer system which uses Peterborough Software is currently at an advanced stage of implementation.

The Schemes are administered by a highly trained workforce of 150 staff at our Pension Administration Centre at Chesterfield. The Centre now requires an experienced pensions professional to head a small development and planning team. The work demands a thorough understanding of pension administration in major organisations and all aspects of current pension legislation.

The successful candidate will take full responsibility for the planning and implementation of all development activities affecting the Centre, reporting to the Pension Administration Manager. He or she will have at least 10 years experience in pensions and related computer fields, be APMI-qualified (or a finalist), and have successfully managed major developments in the use of computerised pension administration systems.

A competitive salary of around £20,000 is offered. There is a valuable benefits package which includes pension scheme, performance linked bonus and five weeks holiday. Relocation assistance is available where appropriate.

Please write with full personal and career details to Martin Gibson, CPIR3.4, Room 536, Post Office Headquarters, 33 Grosvenor Place, LONDON SW1X 1PX, telephone 01-245 7083. The closing date for applications is 19th June 1987.

The Post Office is an equal opportunities employer.

The Post Office

Our business is your future

DEPUTY TAXATION MANAGER

Central London c £30,000 + Car

Our client is an international group with interests in mining and construction materials, whose operations are conducted through associated and subsidiary companies in the United Kingdom, North America, Southern Africa and Australasia. They are seeking a *Deputy Taxation Manager to be primarily* responsible for U.K. tax matters, including the provision of a compliance, planning and advisory service to senior management, and who will play a key role in the development of the taxation department within the group.

Candidates must be qualified accountants, probably aged between 28 and 35, and are likely also to be members of the Institute of Taxation. The successful applicant will preferably have had experience of computers and may have worked for a significant company or professional practice. Candidates should be willing to get involved with *detail and be able to communicate* effectively.

In addition to salary and company car, the position carries an impressive benefits package, fully in line with expectations of a major international group.

Please write in confidence, quoting reference 4029/L to John W. Hills.

KPMG Peat Marwick McLintock

Executive Selection and Search
9 Creed Lane, London EC4V 5BR

Your step towards business management . . .

Divisional Controller

M3/M4 Corridor c£25,000 + Car + Bens.

Our client is the UK subsidiary of an expanding international group recognised as a world leader operating at the forefront of technology. Already an established household name, its products include many market leaders, with UK Group turnover in excess of £200 million.

Recent growth and future plans for expansion have resulted in this unusual opportunity for a young accountant to take the first steps towards general management within its fastest growing Division.

Reporting to the Division's Chief Executive, the position will have overall responsibility for providing management and business information, inventory and distribution functions as well as credit control and administration.

The successful candidate will be a qualified accountant, probably under the age of 30, who has already established an impressive commercial track record and proven management skills. The ability to operate effectively in a dynamic fast moving and challenging environment is essential as are strong communication skills. Prospects are excellent.

If you believe you have the potential and ambition that our client requires, your first move should be to contact

**Tim Forster on 01-831 2000, or write to
Michael Page Partnership,
Southern Home Counties Division,
39-41 Parker Street,
London WC2B 5LH.**

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

Post Office Pension Scheme

Assistant Secretary (Finance)

London c£24,000

The Post Office operates the third largest UK pension fund with over 300,000 members and pensioners and total assets of approx £6,000m. *A second scheme, started 1 April 1987, has been* introduced and is being developed to produce a flexible range of benefits at least comparable to that of commercial 'personal pension' packages. The funds are vested in eight trustees and an *independent Chairman who are supported by a* small secretariat.

The Assistant Secretary (Finance) has just been promoted to the post of Secretary and applications are sought for his post. This is a senior position supporting the Secretary on all financial matters including financial reporting, monitoring budgets, costs, financial forecasts and annual accounts. No direct involvement in the investment fund is required but an appreciation of investment policy and an ability to monitor the performance of investment managers would be expected.

Candidates should possess a professional qualification in accountancy or similar relevant discipline and have sound pension fund management experience. They should also *possess good knowledge of current and* impending legislation, SFO, DHSS and OPB requirements, as well as commanding personal and professional respect. Preferred age range 30-40.

A competitive salary of around £24,000 is offered. There is a valuable benefits package which includes pension scheme, performance linked bonus and five weeks holiday.

Relocation assistance is available where appropriate.

Please write with full personal and career details to Martin Gibson, CPIR3.4, Room 536, Post Office Headquarters, 33 Grosvenor Place, LONDON SW1X 1PX, telephone 01-245 7083. The closing date for applications is 19th June 1987.

The Post Office is an equal opportunities employer.

The Post Office

Our business is your future

UNITED TECHNOLOGIES

Operational Audit

Brussels or Milan

£29-41,000
UK equivalent salary plus benefits

United Technologies is one of the top 20 companies in the Fortune 500. Their companies, which include Pratt & Whitney, Sikorsky, Otis and Carrier, are all market leaders in their respective fields. European operations have expanded rapidly, with over 60 acquisitions and new ventures in the last five years alone, and sales now in excess of US $2.6 billion.

The excellent record of internal promotions from the European audit team over the past year has resulted in placements at middle-management and executive level in the European operating companies of five auditors out of a team of eleven. Further planned promotions and an expansion of the department due to business growth lead them now to seek other high calibre individuals.

This provides a real opportunity for you to
* gain substantial and varied commercial experience through conducting operationally oriented audits in a fast-moving environment
* develop and actively use your European language abilities
* widen your horizons by travelling extensively throughout Europe, with return to homebase at weekends
* progress into the management of a blue chip US multinational after two years in the audit team.

Successful candidates must possess superior communications and analytical skills; and a minimum of three years' auditing experience in public practice or private industry, or equivalent. A strong desire to succeed and a working knowledge of a second European language are required, and applicants should *ideally* be aged late *20's/early 30's*.

Interested applicants should contact **Frank Van de Voorde on Brussels 010-322-648.1384 at Michael Page International, Avenue Louise 350, Box 3, 1050 Brussels or Warwick Holland on London 01-831 0431 at Michael Page International, 39-41 Parker Street, London WC2B 5LH.** Please enclose a comprehensive curriculum vitae with your application, quoting Ref. **B354/FT.**

MP

Michael Page International
Recruitment Consultants
London Brussels New York Paris Sydney
A member of Addison Consultancy Group PLC

Financial Controller

Stockbroking c£30K + Bonus and Car

Our client is a recently formed subsidiary of a city based Plc. They specialise in providing a brokerage service to smaller clients in the listed equity market. The company has ambitious plans to grow rapidly and as part of this expansion are looking to recruit a Financial Controller to head up the finance function.

Key areas of responsibility will be preparing and presenting monthly management and statutory accounts, preparing budgets and forecasts, developing management information systems, carrying out company secretarial duties and advising the Managing Director on all financial matters. You *will be closely involved in strategy* formulation and in determining the future direction of the company.

The ideal candidate will be aged 32-42 and a qualified accountant. You will have recent relevant experience in the stockbroking/investment management sector. A strong commercial approach is essential, as is a proven ability as an effective communicator.

Interested candidates who meet these requirements should write, enclosing a comprehensive c.v. and daytime telephone number, quoting ref: 420 to **Philip Rice MA ACMA, Executive Division, Michael Page Partnership, *39-41 Parker Street, London WC2B 5LH.***

MP

Michael Page Partnership
International Recruitment Consultants
London Windsor Bristol St Albans Birmingham Nottingham Manchester Leeds Glasgow & Worldwide
A member of Addison Consultancy Group PLC

FINANCE DIRECTOR

Leisure Industry - Manchester

Age 30 - 35 **Package to c. £30,000 + Car**

Our Client operates in the leisure industry and is a subsidiary of one of Britain's largest, most successful, and diversified multinational groups. This company is highly profitable with a turnover of approximately £50 million, and employs in excess of 3000 people, through over 250 operating locations.

As a result of the promotion of the previous incumbent within the group, it is now looking to appoint a Finance Director, who together with three other Directors will report directly to the Regional Managing Director. Supported by a staff of some 30 people, your principal responsibility will be to provide a broad professional service across all aspects relating to "Finance" and "Commercial" decisions undertaken by the company.

You will be a graduate, qualified accountant, or a suitably experienced MBA. You will have a minimum of 2/3 years prior experience at Financial Controller level, and have a proven track record in delivering a "bottom-line" performance in a highly commercial environment. You should be a tough negotiator with strong inter-personal skills, and be able to clearly demonstrate that you are capable of development and promotion within the company or the wider group.

Interested individuals should preferably telephone Peter Flammiger, or write to him enclosing a resume and current salary details, at : Financial Management Selection Limited, 21 Cork Street, *London* W1X 1HB(*Tel: 01-439 6911*)

Financial Management Selection
Specialist Search and Selection Consultants

International Plc

Financial Controller

Age 28-35 **c. £30,000 + Benefits**

Watsham's P.L.C. is a leading international company in the electro-optical and medical fields. An exciting and challenging opportunity for a qualified aaccountant has occurred as a result of the rapid growth of the company. Significant expansion both internally and by acquisition is envisaged and the successful applicant will have a wide range of responsibilities including financial control, company secretarial matters and acquisition appraisal. Career prospects are excellent.

Reporting to the Group Company Secretary, candidates should have strong financial skills and the ambition and commitment to succeed. Location: N.W. London.

Please write in confidence, enclosing a summary of your qualifications, experience, current remuneration and daytime telephone number to:—

The Managing Director
WATSHAM'S P.L.C.
Brook Street House, 47 Davies Street
London W1Y 1FJ

FINANCIAL DIRECTOR

GREENFORD, MIDDLESEX

Companies owned by a family of Italian origin require a qualified accountant to be responsible for the whole finance function and related fields. The companies are distributors of wines and foods with combined turnover approaching £10m and are expanding. One of the companies has been acquired recently and operates in Scotland. In a few years a listing is possible.

Applicants must have had experience in similar fields and have the personality and ability to introduce into a conservative environment the controls necessary to improve profits and to enable the companies to continue to grow with safety. Salary not less than £25,000 plus car and benefits.

Please reply to:
The Personnel Manager, Italian International Bank Plc
122 Leadenhall Street, London EC3V 4PT
who is acting on behalf of a client

ANTICIPATING CONSTANT CHANGE.

The addictive challenge of Management Consultancy.

TOUCHE ROSS has long been established as a substantial firm of chartered accountants, but more recently it has also emerged as a major force in the management consultancy business.

Last year alone, this aspect of our operation experienced a growth rate of over 50% and our ever increasing client list makes absorbing reading, embracing local and national government, multinational corporations, financial institutions and a multitude of small businesses.

The professionals that join us as Management Consultants reflect this unparalleled success and play their individual roles in helping solve often complex problems emanating from every aspect of business life.

Our interdependent teams are endowed with the intellectual prowess to negotiate the hurdles of strategic planning, feasibility studies, project appraisal and organisation studies. And in the Information Technology area they involve themselves with computer strategy, selection and systems studies.

It is an environment of constant challenge, *change and achievement, where people committed to reaching the top of their profession develop and thrive along career paths* already showing evidence of strategic self direction.

Our growth creates a continuous requirement for people with a good first degree and appropriate professional qualification in economics, accountancy, computing, industrial marketing, engineering or personnel. An excellent training programme allied to the wealth of knowledge already available from more experienced colleagues will help ensure your success. Exceptional men and women are progressing to partnership in 3-4 years.

Salaries are open to negotiation and will not present a barrier. A company car is also provided. So, if you meet our profile, and would like to be based in London, Manchester or Glasgow, please write or telephone immediately and in absolute confidence to: *Michael Hurton, (Ref. 2789), Touche Ross & Co, Thavies Inn House,* 3-4 Holborn Circus, London EC1N 2HB. Tel: 01-353 7361.

Touche Ross
Management Consultants

Divisional Finance Manager

Midlands

c£26,000 + car

Our client is a major international plc of the highest repute and a market leader in its field of pharmaceutical production and sales. Constant growth and expansion has led to new opportunities evolving within the finance function and as such this highly profitable division seeks to make the crucial appointment of a Divisional Finance Manager.

The role will head a small but highly motivated team and cover all responsibilities revolving around the provision of meaningful and essential management data to extremely tight deadlines within a fully computerised environment. There will be a keen emphasis on review, analysis, commentary to the board and a strong liaison with regional managers.

Candidates, aged 28-35, should be qualified accountants who can demonstrate successful achievements to date in a multinational environment and have the strong inter-personal skills required to carry this role forward.

Please write enclosing full resume quoting ref: 133 to:
Philip Cartwright, FCMA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 3572

Cartwright Hopkins
FINANCIAL SECTION AND SEARCH

Assistant Financial Managers

Central London c £20,000 + car + benefits

The demands which are placed on the corporate finance function of this major international organisation make it essential that the staff employed have the ability to respond to the pressures which are created in a situation of continuing growth. Therefore, candidates for the following vacancies, which have arisen as a result of the Group's internal promotion policy, must be highly motivated and have the necessary personal qualities to succeed in such a challenging role. Applicants (male/female) must be qualified accountants, aged mid-twenties, who have preferably *gained experience with either* a major professional firm or in an international commercial or industrial environment.

Corporate Planning

Immediately on appointment the successful applicant will join a high powered team, whose sphere of activity includes the co-ordination, consolidation and development of the Group's budget and plan. In addition, the team are responsible for ensuring the compliance with the requirements of the US Securities Exchange Commission and other regulatory bodies and the maintenance and update of a data base of statistical information. Ref: 1450/FT.

Corporate Reporting

The importance which management places on the provision of a comprehensive range of regular and timely management reports and the prompt production of the consolidated UK statutory accounts results in this department continually working to tight deadlines. The person appointed, therefore, must be of the high calibre needed to make an immediate contribution to the department's work-load. Ref: 1451/FT.

Corporate Accounting

A major area of activity in any efficiently operating PLC is the Corporate Accounting Department. In particular this department is responsible, within the Head Office function, for all aspects of financial and management accounting covering the central corporate based cost centres. The successful candidate supported by a small staff must be able, on appointment, to contribute to the effective and efficient running of this department. Ref: 1452/FT.

Write or telephone for an application form or send full details (with daytime telephone number and present salary) to R.P. Carpenter, FCA, FCMA, ACIS, 2-5 Old Bond Street, London W1X 3TB. Tel: 01-493 0156 (24 hours).

Phillips & Carpenter
Selection Consultants

FINANCIAL CONTROLLER AND COMPANY SECRETARY

SHEFFIELD **c. £20,000**

+Company Car +Benefits

THE COMPANY

The Turner Group, a private limited company, comprises wholesale newspaper distribution, wholesale cash-and-carry, 100 retail CTNs and sports outlets, wholesale wines and spirits and farming. All activities are centred within a 50-mile radius of Sheffield. The Group has a record of substantial growth with great emphasis placed on high management skills and team effort.

THE JOB

The Financial Controller will be responsible for the full day-to-day operation of the Group's central accounting and management information department. A fully computerised accounting system is in operation. He/she will be expected to contribute towards the development of all Group Financial Systems. He/she will also fulfil the normal duties undertaken by a Company Secretary. This position reports directly to the Managing Director.

THE CANDIDATE

We are looking for a qualified Accountant preferably aged 30-40 with sound commercial experience ideally in the retail and distribution industry, who will also have extensive knowledge of installation and use of computer systems. Personal qualities will include the ability to communicate and work as part of a team with particular emphasis on the ability to motivate and develop subordinates.

Please apply in writing, with a full curriculum vitae stating present salary to:

Mr. D. B. Lyon, Joint Managing Director
H. TURNER & SON LIMITED
Richmond Park Road, Sheffield S13 8JQ

GT Turners

MANAGER, MANAGEMENT ACCOUNTING - CARDIFF

PACKAGE c. £20,000 + CAR + OTHER BENEFITS

Chartered Trust plc is one of the country's most successful finance houses with a national network of over 70 offices offering a wide range of financial services to the consumer and industrial markets. We are a wholly owned subsidiary of Standard Chartered Bank, one of Britain's major international banks with assets exceeding £32,000 million.

Our business has developed successfully over the last few years and we are experiencing an unprecedented demand for our services. We see future growth in the challenging and competitive financial services sector as equally exciting and now need to strengthen the management of our Financial Control Department by this senior appointment.

The position will involve responsibility for the development and production of all financial *management information and the management of five members of staff.* We utilise sophisticated computer systems and we are shortly to transfer a number of these to new IBM based packages, including MSA accounting systems. The successful candidate will be fully involved in the planning and implementation of this project.

We are looking for a commercially orientated accountant with a high intellectual capacity. It is likely that he/she will be around 30 and have an impressive track record. The sector in which the person currently works will be less important than the ability to apply creative accounting and management skills to this demanding position.

This is an outstanding opportunity for an ambitious accountant to link his or her growth with ours. Career development prospects in the organisation are extremely good.

The excellent remuneration package includes, in addition to a company car, a competitive salary, mortgage subsidy and profit sharing schemes and generous assistance with relocation expenses, where appropriate, to this attractive and thriving part of the country.

Please apply to: Mr. P. R. Symes, Training and Development Manager,
Chartered Trust plc., 24-26 Newport Road, Cardiff, CF2 1SR
Telephone (0222) 473000 extension 2120

Chartered Trust
A member of Standard Chartered Bank Group

Assistant Treasury Manager

Eaton Limited is the UK subsidiary of the US multinational Eaton Corporation, a worldwide manufacturer of advanced technology products for the automotive, electronics, defence and capital goods markets.

The job holder reports to the Treasury Manager – Europe, and is based at the Corporation's European Headquarters in Hounslow. The prime responsibility will be to assist in the UK Company's liquidity, funding and currency management utilising and developing computerised Treasury reporting systems. Additionally there will be occasional assignments in the European Treasury function.

Candidates should possess a relevant degree and/or professional qualification and at least three years Treasury experience, preferably in a multi national group. Consideration will also be given to those with three or more years banking experience.

The position attracts a competitive salary and benefits package which includes a company car.

Applicants (male or female) should forward a comprehensive curriculum vitae to:

Graham Barwell, Eaton Limited, Eaton House, Staines Road, Hounslow TW4 5DX. Telephone: 01-572 7313.

EATON

High Flying Accountants

£17,000–£20,000 + generous holiday concessions

Thomson Holidays, Britain's leading tour operator, has opportunities for accountants with commercial flair to join their pricing team.

Candidates will be graduate qualified accountants in their early 20's who want to work in a fast-moving marketing orientated business.

Salary will be commensurate with experience, with benefits including 25 days annual holiday and generous holiday concessions.

Interested?

Hand-written applications, enclosing a C.V. to:–Barbara Gowers, Personnel Department, Thomson Holidays, Greater London House, Hampstead Road, LONDON NW1 7SD.

Thomson Holidays

WLG Williams Lea Group

Group Financial Controller

London **Circa £25,000+Car**

The Williams Lea Group, with annual sales of over £35 million, consists of nine companies providing comprehensive printing and communications services to the City and international financial markets.

The Group seeks an *ambitious, qualified accountant* to take responsibility for periodic and statutory reporting, the preparation of short and long term plans, the treasury function and taxation.

The successful candidate, who is likely to be a graduate aged around 30, will be able to demonstrate strong technical skills as well as the personality and drive to operate effectively *at all levels.* A manufacturing background would be advantageous.

There are outstanding prospects of career development within this fast expanding Group.

Please reply in confidence with a comprehensive C.V., including details of current earnings and a day time telephone number, to **D. E. Shribman.**

HUDSON SHRIBMAN
THE COMPLETE FINANCIAL SELECTION SERVICE
Vernon House, Sicilian Avenue, London WC1A 2QH. Tel: 01-831 2323

FINANCIAL ACCOUNTANT ADMINISTRATOR

HOLBORN AREA **circa £30,000 plus car**

A *major* European merchant bank has a London subsidiary which is a licensed dealer in securities. It makes markets in international equities, is significantly profitable and employs a total of five people.

The Financial Accountant/Administrator will have responsibility for developing computerised systems for financial reporting and statutory accounts. He/she will report to the Board and will supervise one assistant as well as the administrative operations. An opportunity for promotion to company secretary will arise in the medium term.

Candidates, ideally aged 35-45, should be qualified accountants familiar with computer systems. Experience in a securities house is not essential. A knowledge of French would be useful.

Please write, submitting a cirriculum vitae, to:

Box A0557, Financial Times
10 Cannon Street, London EC4P 4BY

FINANCIAL DIRECTOR

North Herts **neg. to £30,000 + car + bonus**

Our client is a £12m turnover private company with 300 employees deriving the majority of its turnover from export markets in the UNITED STATES and EUROPE.

A sophisticated modern computer system has up-graded the quantity and quality of management information available to senior management and this has focused on the need for an ultra-dynamic young ACA/ACMA or equivalent in the probable age range 28-35 to assist the Managing Director in a complete restructuring of the accounting system.

Only OUTSTANDING individuals with RELEVANT experience should contact: George D. Maxwell, Managing Director

ACCOUNTANCY APPOINTMENTS EUROPE
1-3 Mortimer Street, London W1
Tel: 01-580 7739/7695 (direct)
or 01-637 5277 Ext. 281/282

Accountancy Appointments Europe

Financial Controller and Company Secretary

STRATFORD, E. LONDON
c.£20,000 + car

Our client is a subsidiary company of a profitable international group in the processing industry, providing first class deliveries and service to its industrial customers.

The company is strategically positioned to extend the group's range of products. Rapid growth is expected over the next 2–3 years.

The position of Financial Controller is being created to assist the Managing Director with the demands of rapid growth. As part of the top management team the Financial Controller will be responsible for leading a team of four, maintaining the accounts, and providing timely management information as well as general administrative support. Streamlining present systems and implementing a computerised accounts system will be priority tasks.

This position requires a qualified accountant with at least 2 years' post qualification industrial experience. Career prospects within the group are excellent.

If you have the drive and ambition to get stuck into this challenge, please send a concise CV to Steve McBride.

ROBSON RHODES
Chartered Accountants

Management Consultancy Division
186, City Road, London, EC1V 2NU.

Financial Manager – Europe

Pharmaceuticals **Circa £26,000+Car**

Our client, a household name and a publicly quoted Group, is a highly successful British based multi-national with over 80% of sales achieved outside of the UK.

Based at the Division's Headquarters in the UK, the person appointed will be a key member of the European management team and be responsible for financial and analytical support for their European subsidiaries. This will also include business evaluation, performance monitoring and acquisition analysis. Considerable liaison will be necessary with senior management in the UK and with the subsidiaries which will involve travel within Europe.

Candidates should be qualified accountants of graduate calibre, probably aged between 28 and 35, who have experience of working at senior level in finance in an international environment, ideally within the pharmaceutical industry. An outward-going personality is an essential requirement.

This challenging position which has arisen because of internal promotion, has exceptional long term potential.

If you are interested, telephone Stuart Adamson FCA or Andrew Nicholson FCA on Leeds (0532) 451212 or send your CV to Adamson and Partners Limited, 10 Lisbon Square, Leeds LS1 4LY.

ADAMSON & PARTNERS LTD.
Executive Search and Selection

European F&A Manager

Berkshire

to £28,000 + f/e executive car

This client is a well established European subsidiary of a leading US computer software company. The organisation has achieved a reputation of marketing a wide range of products built on a continuing programme of research and development that is coupled with a strong customer base of major worldwide computer manufacturers.

The achievements made to date and increasing sales planned at its operations in the UK, Germany and France now require this appointment to be made that will report to the European Financial Controller. The appointee will be responsible for the companies reporting, analysis, budgeting and forecasting. Furthermore there will be particular emphasis on the upgrade of computer systems to ensure that tight controls are maintained and deadlines achieved. The role will head six staff and demand an important contribution to be made to the sales, marketing and manufacturing departments.

Candidates, age indicator 28–32, should be qualified accountants who seek to be part of a commercial management team and have a positive input to the operation of the business. Having the flexibility to respond quickly in this young lively organisation is vital.

The comprehensive remuneration package will also cover relocation assistance where necessary.

Please write enclosing full resumé quoting ref: 135 to:
Philip Cartwright, FCMA,
97 Jermyn Street,
London SW1Y 6JE.
Tel: 01-839 4572

Cartwright Hopkins
FINANCIAL SECTION AND SEARCH

FINANCIAL PLANNING MANAGER

As a subsidiary of a major banking group this finance house forms part of one of the largest financial organisations in the world. To assist with continued expansion an accountant is required to manage a small team concerned with the provision of management information relating to profitability and costs. Suitable candidates will be qualified accountants aged 25-35 with in-depth experience in financial and business analysis, preferably gained within the financial services sector. Hands on PC experience and an ability to manage staff is necessary. Ref: SW.

N.MIDDX **c.£27,000+Car+Bank Bens**

ACQUISITION ANALYSIS

This substantial and highly acquisitive quoted service group is enjoying a period of dramatic growth and profitability. A small department of consultants within the H.O. provides reports and information for mergers/acquisitions decision making. The role embraces the identification and investigation of acquisition targets, liaison through the acquisition process and 'bedding in' newly acquired companies. As principal point of contact between the vendor and the main board the position enjoys considerable exposure. Candidates will be ACA's seeking a first move, possessing a commercial orientation. Ref: GR.

CITY **£21,000 + Car**

Robert Half Personnel, Freepost, Roman House, Wood Street, London EC2B 2JQ. 01-638 5191.

ROBERT HALF
FINANCIAL RECRUITMENT SPECIALISTS
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Cheltenham & Gloucester Building Society

AUDIT CONTROLLER

Cheltenham **Up to £25,000+Car+Benefits**

Our clients, the Cheltenham and Gloucester Building Society, were established in 1850 and are now one of the UK's largest and most progressive societies with assets in excess of £3,800 million, 170 branches and over 1300 staff.

The Society wishes to appoint an Audit Controller to head up the Internal Audit Department. This is a newly created position and responsibilities will include the supervision of the work of both the Systems and Internal Audit Managers; the review and evaluation of new and existing systems of control; and the development of new audit techniques.

Applicants should be self-motivated, ambitious qualified accountants with several years experience at a senior level within a financial services organisation. Promotion prospects are excellent for the right individual who can demonstrate commitment and dedication.

Offered with this rewarding and challenging opportunity is an attractive salary package, including a company car and a concessionary mortgage. Relocation expenses will be met, where appropriate.

Please apply in writing, with full career and salary history details, quoting reference C00696.92 to Louisa Jones, Executive Selection Division.

KPMG Peat Marwick McLintock
Executive Selection
Peat House, 45 Church Street, Birmingham B3 2DL.

Manager, Financial Analysis & Budgeting, Europe

Walton-on-Thames **c.£20,000 + car**

J. I. Case is one of the world's leading manufacturers of agricultural and construction equipment, with major interests in Europe.

At our European headquarters in Walton-on-Thames, Surrey, we are looking for a Manager, Financial Analysis and Budgeting, the present incumbent having been promoted. Reporting to the Financial Controller, Europe, you will be responsible for all aspects of the annual budget process (including capital) covering all European operations. Accountabilities include analysis of operating results, forecasts, capital expenditures and completion of ad hoc assignments and reviews. You will also provide guidance and support to the operating units.

Aged around 28-38, applicants will be computer-literate accountants with a professional qualification (ACA, ACCA, ACMA or equivalent) and several years' experience of this work including a period in a manufacturing environment. Familiarity with U.S. reporting would be an advantage. The capacity to communicate effectively, motivate subordinate staff and meet tight deadlines is essential.

We offer a salary of c.£20,000 plus a car, contributory pension, private health plan, and other benefits. Career development possibilities are excellent.

If you meet our requirements, please write, in confidence, with a comprehensive CV and your contact telephone number, to...

J I Case
A Tenneco Company

... Philip Page, J. I. Case Europe Ltd., Case House, P.O. Box 89, High Street, Walton-on-Thames, Surrey, KT12 1DL.

case

Ambitious Financial Controller (Director-Designate)

LONDON **CIRCA £25,000 PACKAGE**

We are looking for a qualified accountant in his/her mid-thirties with good communicative skills to take control of the financial and administrative function of a specialised retailing operation, trading through many outlets.

The need quickly to understand the requirements of the business, enhance the sophistication of the accounting systems and liaise with the entrepreneur are paramount.

The position has excellent prospects, as the intention is for the company to be brought to the stock market shortly.

Should you be interested in the challenge and have already acquired compatible experience, please send a full curriculum vitae, including appropriate personal details, to:

A. K. Lester, Esq.
H. W. FISHER & CO.
Chartered Accountants
Acre House, 69/76 Long Acre
London WC2E 9JW

Treasury Accountant

RECENTLY QUALIFIED ACA

CITY MERCHANT BANK

Salary £20,000+Bonus+Banking Benefits

Our client is the Merchant Banking arm of a leading International Banking Group geared to a continuing programme of expansion, particularly within the Treasury/Foreign Exchange areas.

Working as a member of a small specialist team, responsibilities will include the financial and management reporting of the bank's treasury operation. This includes trading activities in Foreign Exchange and Euro CDs, which will involve working in close liaison with Dealers, Settlements and the mainstream Accounting staff.

Candidates must be qualified CA's with a good academic and career history to date. Audit experience within the Financial Services sector would be an asset although is not a prerequisite; more importance is placed on ambition, commercial awareness and good interpersonal skills.

For further information please write, enclosing personal details, or telephone Susan Ross

FIRTH ROSS MARTIN ASSOCIATES, WARDGATE HOUSE, 59A LONDON WALL, LONDON EC2M 5TP. TELEPHONE 01-628 2441

Firth Ross Martin

FINANCIAL CONTROLLER (FINANCIAL DIRECTOR DESIGNATE)

Central London **£30,000 plus Car and Benefits**

Our client is a well known substantial firm of architects, planners and consultants, undertaking projects in the UK and internationally.

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Applicants, preferably graduates, aged 30-40, should be qualified accountants, able to offer senior commercially orientated experience ideally gained in retail or service industries. Working French would be an asset.

Applicants should write, in complete confidence, enclosing a current curriculum vitae with salary details, quoting reference 17499 to:

Peter Childs
Pannell Kerr Forster Associates
New Garden House
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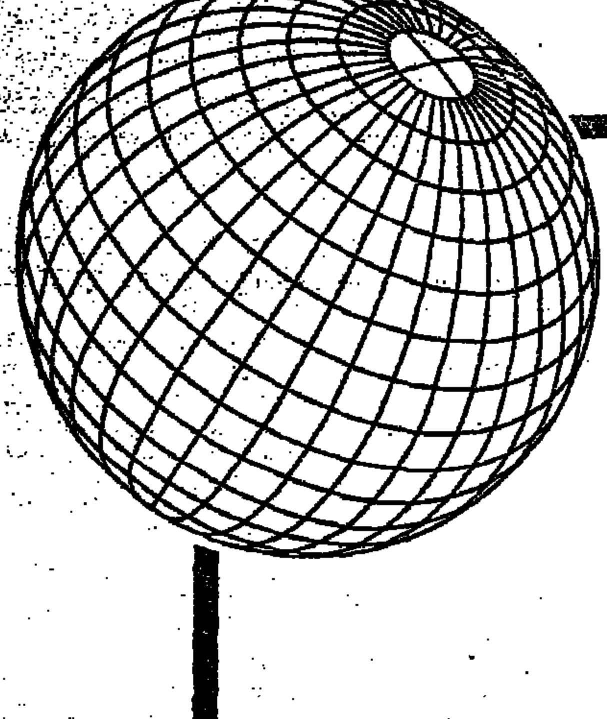

Financial control in the world arena

TI Group Plc is "currently undergoing the most significant change in corporate direction of any UK engineering company", according to one City analyst.

Its new strategy, unveiled in March, is to become an international engineering group concentrating on specialised engineering businesses, operating in selected niches on a global basis. Key businesses must be able to command positions of sustainable technological and market share leadership.

The new Chief Executive and his colleagues have already made significant acquisitions and disposals in accordance with this strategy, with more to come. They are also establishing a new, small headquarters in London appropriate to a decentralised group whose billion pound turnover is already 45% international.

Strong international financial control is a key ingredient of TI's new culture. The Group attributes important competitive advantage to the availability of accurate, timely and appropriate financial data for its internal management. It intends also to continue to command high respect from the institutions and shareholders for the quality of its external data. All data is integrated and system-based.

Financial Information Managers — to £25,000 + Car

These two broad roles involve the operation and continued enhancement of the Group's financial computer systems so as to be able to provide an information service to both group management and the finance function. The increasing demands being placed on the Group financial information system with regards to dealing with monthly, quarterly and annual inputs make these roles of vital importance. In addition the positions will entail developing the applications software so as to provide a wide range of analysis and date interrogation as well as providing support to subsidiaries with regard to systems problems they may be encountering.

The roles will appeal to qualified Accountants who recognise this as a stepping stone to enhance their overall potential as Financial Managers. While experience with computers is not necessary the successful applicants will need to be able to demonstrate a highly logical approach in the way they go about their work.

Financial Accountant — to £25,000 + Car

The broad role will include being the key point of reference for the worldwide accounting functions in any technical aspects of UK financial accounting as well as undertaking projects to develop new or enhance existing accounting procedures, including those arising from new legislation, accounting standards and stock exchange requirements. The role also includes insuring that the strategic taking place in the Group are integrated into the Group's accounting requirements for Management, Board and Shareholders reporting purposes.

The role requires a graduate ACA aged 25-28 who can demonstrate an above average track record to date. The person will also need to have strong communication skills and have the ability to provide "user friendly" expositions of accounting concepts to line management.

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The person will be responsible for reviewing and analysing financial information from the Group's worldwide subsidiary operations for the purpose of reporting to Group Management. Areas covered will include monthly results, budgets and forecasts with emphasis on monitoring performance, capital expenditure proposals and various ad hoc assignments of a financial nature.

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Finance Executive

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J. Cull. Ref: M16006/FT. Male or female candidates should telephone in confidence for a Personal History Form, ***061 832 3500, Hoggett Bowers plc,*** *St James's Court, 30 Brown Street,* ***MANCHESTER,*** *M2 2JF.*

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ACCOUNTANTS

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Accountant

(recently qualified)
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Please write, enclosing cv, to the Chairman, Bluebird Software Limited, Sutherland House, 5/6 Argyll Street, Oxford Circus, London W1V 1AD, quoting reference number: FT/4/6.

Bluebird Software Ltd.

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Other duties will include:

★ Co-ordinating group management information systems ensuring that all statutory/financial reporting requirements are met quickly and effectively.

★ Assisting in the financial evaluation of acquisitions and the development of corporate plans.

★ The efficient progression of group tax planning.

★ The effective communication of relevant financial information throughout the group.

Candidates will preferably be Chartered Accountants aged 30-35 with experience in a similar role or senior managers with international firms of accountants. The ability to demonstrate commitment, commercial awareness, team leadership, motivation and excellent inter-personal skills is paramount. The benefits package is substantial and includes a company car and generous relocation expenses.

Interested applicants should contact Rod Shaw on 0602 410130 or write to him at Michael Page Partnership, Executive Division, Imperial Building, Victoria Street, Nottingham NG1 2EX, quoting reference 5011.

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Our client is an internationally-oriented fully-quoted organisation whose business has expanded quickly, through acquisition, in recent years. It is a leader in its field.

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Applicants should be aged around 35, ideally be chartered accountants and have worked for several years in a service industry. It is important to have gained broad-ranging financial skills, but it is not essential to have managed large numbers of staff.

This post offers advancement opportunities.

Please write, in confidence, to Michael Ping enclosing a curriculum vitae and quoting reference F/437/P, at Ernst & Whinney Management Consultants, Becket House, 1 Lambeth Palace Road, London SE1 7EU.

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Finance Director

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FINANCIAL TIMES

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SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Thursday June 4 1987

First-half surge in profits at SAS

By Sara Webb in Stockholm

SCANDINAVIAN Airlines System (SAS) almost trebled its half-year profits, helped by the strong performance of its airline operations and extraordinary gains from the sale of aircraft.

The group expects full-year profits to at least match last year's pretax figure of SKr 1.51bn despite increased capital costs.

SAS, which is 50 per cent owned by Sweden, Norway and Denmark, said its merger talks with Sabena, the Belgian national airline, were still at an early stage. However, it welcomed the Sabena board of directors' recent decision to give the go-ahead for the two companies to integrate their airline operations.

SAS said some form of co-operation – rather than integration – on the hotel and catering side was also being discussed.

The SAS group, which includes airline, travel agent, catering and hotel operations, showed profits (before allocations and taxes) of SKr 605m ($96m) for the six months October 1 1986 to March 31 1987, compared with SKr 224m in the 1985-86 period. Group operating revenue rose 11.6 per cent to SKr 10.924bn.

The results were boosted by extraordinary gains of SKr 229m because of the sale of two aircraft, a Boeing 747 and Airbus A300 which SAS said were too large for its current market strategy.

However, even group profits before financial items showed a strong increase, up 70 per cent from SKr 221m to SKr 376m, because of the successful airline business.

SAS's airline operations almost doubled profits (before extraordinary items) from SKr 208m to SKr 400m, despite increased depreciation costs and capital costs for new aircraft.

SAS attributed this to its continued success in the business travel market and said full-fare passenger traffic showed a 5 per cent increase while European passenger traffic rose by 7 per cent.

The airline said lower fuel costs had helped it to keep down its fare increases – fuel costs account for 7 per cent of operating expenses, compared with 11 per cent five years ago. Operating revenue for the airline rose 7 per cent to SKr 8.169bn.

SAS said it had decided to postpone taking a decision about its order for a new fleet of aircraft until September when an agreement with Sabena over co-operation and joint fleet planning has been reached. By then, SAS hopes to know whether it will be able to fly to more destinations in the US and use these destinations as regional hubs.

Paul Betts in Paris analyses the background to the merger of two French luxury goods groups

Champagne flows as Moët heads back to the altar

THE MARRIAGE of two leading members of France's corporate high society was consumated yesterday with the agreed merger between the Moët-Hennessy champagne, cognac and perfume group and the Louis Vuitton luxury luggage, leather goods and champagne concern.

The group will have a bourse capitalisation of about FFr 25bn ($4.2bn) and annual sales of FFr 13bn. Its estimated net earnings will be more than FF 1.3bn this year.

As at all good wedding ceremonies the champagne flowed in the Plaza Athenée hotel in Paris. And as with all good French high society weddings, there were both pressing family reasons for the union as well as financial considerations.

Both Mr Alain Chevalier, the soft spoken and urbane chairman of Moët-Hennessy, and Mr Henry Racemier, the elderly but dynamic head of Vuitton, explained that the merger would enable the groups to expand their international dimension and enhance their competitiveness.

The merged companies will form one of the world's leading groups in the premium brand wine and drinks business as well as in other luxury goods sectors such as luggage and perfume.

But it will also resolve two pressing problems facing both groups. Moët-Hennessy, which also includes the Dior perfume business, had become increasingly concerned to reinforce the family's control of the business. For months, Moët-Hennessy had been seen as a potential takeover target despite its bourse capitalisation of about FFr 15bn.

The merger will strengthen the overall family hold over the combined businesses with the Moët-Hennessy and Vuitton shareholders initially controlling about 50 per cent of the voting rights in the new company. If all existing equity warrants are exercised, their joint control would decline but still remain at around 40.7 per cent.

For Vuitton the issue of family control was not a problem – the family owned more than 50 per cent of the votes in the company. Indeed, it will see its overall control decline a litte after the merger.

However, Vuitton was keen to resolve a possible succession problem at the top of the company. Although he does not like it publicised and remains a highly dynamic chief executive, Mr Racamier, who has headed Vuitton for the past 10 years and is largely responsible for its remarkable development and recent success, is 75 years old.

He shows every intention of playing a leading role as executive vice president of the new holding of the merged companies named LVMH (Moët-Hennessy Louis Vuitton) but a succession problem, at least in the medium term, was likely to emerge at Vuitton.

Mr Alain Chevalier, the Moët-Hennessy chairman, left, described the merger as "easy and as natural as the original marriage between the Moët champagne group and the Hennessy cognac group in 1971. It was like one of those love affairs which lead quickly to the altar."

Both he and his counterpart at Vuitton, Mr Henry Racamier, said it would enable the groups to expand their international dimension.

These reasons, coupled with the broader economic and business opportunities offered by the association made the marriage, when first proposed a few weeks ago by Vuitton's bankers, easy to consummate.

"It was as easy and natural as the original marriage between the Moët champagne group and the Hennessy cognac group back in 1971," said Mr Chevalier. "It was like one of those love affairs which lead quickly to the altar."

As a "wedding present" Moët-Hennessy yesterday announced a separate agreement involving a major distribution deal with Guinness to distribute the UK group's premium spirits brands and Moët-Hennessy's premium brands in the US, Japan, and the Far East. This will help boost sales and margins.

Between them and with possible new acquisitions or diversifications, the merged companies will combine "all the aspects of the quality and art of good living in France," Mr Chevalier said. The new group would also ensure that the champagne industry in France remained firmly in French hands.

The new group will account for about 20 per cent of the champagne market with its Moët-Chandon and Mercier brands and the addition of Veuve Clicquot which Vuitton acquired for nearly FFr 5bn last year. But the Moët-Chandon and Veuve Clicquot brands will remain independent of each other, Mr Racamier and Mr Chevalier emphasised.

Indeed, the new holding company will control three operating companies. These will include Moët-Hennessy, incorporating the wines and spirits business of the Moët group, and Louis Vuitton, grouping its existing activities including the Veuve Clicquot and the Givenchy perfume business. A third company will be centred on the fast expanding Dior perfume business.

The Louis Vuitton operating company will also be quoted on the bourse with the holding owning about 90 per cent of the shares. The eventual idea is possibly to list the two other operating companies.

The operating companies will continue to have considerable autonomy. "It is necessary for each group to retain their autonomy, their personality and their organisations, Mr Racamier said. At the same time the new holding company chaired by Mr Chevalier will coordinate the strategies.

The Moët-Hennessy and Vuitton top brass together with their bankers (Lazard for Moët and Paribas for Vuitton) looked particularly pleased with themselves yesterday for putting together quietly and quickly what is a major corporate coup. Underlining the honeymoon atmosphere, a senior Moët executive made a point of asking a waiter what champagne he was serving. When told it was Veuve Clicquot, he said: "Jolly good."

Report lambasts conduct of El-Sayed

By Kevin Done, Nordic Correspondent, in Stockholm

THE INDEPENDENT investigator appointed on behalf of minority shareholders in Fermenta to examine the scandal-beset Swedish antibiotics and chemicals group's affairs yesterday published a scathing indictment of the conduct of Mr Refaat El-Sayed, the company's former majority shareholder and chief executive.

The report is also heavily critical of the roles played by Mr Gosta Bystedt, former Fermenta chairman and currently deputy chairman of Electrolux, the Swedish household appliances group, and Mr Ove Sundberg, who at different times was both chief executive and chairman of Fermenta.

The report says Mr El-Sayed "systematically abused" his "extraordinarily strong" position in the company in an "unprecedented" manner.

Mr Bystedt's conduct of the chairmanship of Fermenta had been "deficient" in many respects while Mr Sundberg must bear a large part of the responsibility for the unsatisfactory state of affairs.

The report says Mr El-Sayed
- "Manipulated" Fermenta's accounts on a large-scale in order to "dress up" the company's results
- Booked as income "possible future revenues"
- Conducted unrestrained private trading with the company
- Took out as loans or payments "very large amounts" from Fermanta group companies.
- Systematically withheld information from the board and the auditors.

The report will be considered next week at Fermenta's annual general meeting, at which shareholders must decide whether to discharge the previous board from its responsibilities or whether the company should sue earlier board members for damages.

Digital Equipment and Cray Research in development pact

BY ANATOLE KALETSKY IN NEW YORK

DIGITAL EQUIPMENT and Cray Research, the leading US suppliers of minicomputers and supercomputers respectively, yesterday announced a product development and marketing agreement designed to tighten their grip on the specialised scientific segment of the computer market.

The two companies will develop products to link Cray's expensive supercomputers directly with the Vax range of DEC minicomputers, which have established a strong position for general purpose scientific and engineering applications.

The first product to be marketed will be a supercomputer gateway which will allow a fivefold increase in the speed of communication between minicomputer workstations and the supercomputer "number crunchers."

Other hardware and software products designed to make the two families of computers work together will follow in the months ahead, the companies said. Marketing and support for the new products will be performed by the two companies' existing organisations and the agreement had no immediate financial impact for either partner.

Yesterday's announcement appears to represent a further challenge to International Business Machines, the world's leading computer manufacturer, by DEC, its most successful competitor.

DEC has set great store by the "connectibility" of its Vax range of computers, and this feature has accounted for much if its success in squeezing IBM's share of the worldwide computer market. The next step in DEC's corporate strategy has been to improve connections between its own minicomputers and those of other suppliers, including IBN.

The Cray partnership appears to represent a major stride in this direction. For Cray, there are particular attractions in teaming up with DEC at a time when competition is heating up in the supercomputer market.

More international company news on Page 22

Elsevier bids for Kluwer

By Laura Raun in Amsterdam

ELSEVIER, the Netherlands' second-largest publishing company, is contemplating a Fl 638m ($312m) takeover bid for Kluwer, the third-biggest publisher, in a move that would create a world giant in scientific and technical journals.

Elsevier said yesterday that it had invited Kluwer's management to hold talks within a week about a possible cash or share exchange acquisition, a clear effort to make the takeover friendly. It is not yet know how Kluwer will respond although, if it fights the bid, it would be one of the few times in recent years that a Dutch company has resisted a takeover attack.

While the announcement came as a surprise, it has been speculated over the years that Elsevier might make such a move due to the close fit between its activities and geographical spread. Elsevier already is one of the world's largest publishers of scientific journals.

Kluwer, based in Deventer, specialises in scientific, educational and professional publications and also is involved in book publishing and printing. In recent years it has shown most growth abroad

Intergraph in Fairchild talks

BY LOUISE KEHOE IN SAN FRANCISCO

INTERGRAPH, a US computer-aided design system manufacturer, is believed to be a potential investment partner in a proposed management buy-out of Fairchild Semiconductor, the Silicon Valley chipmaker owned by Schlumberger, the US oil services group.

Intergraph said yesterday that it had held discussions on the purchase of Fairchild by an investment group that would include Intergraph. The company declined to elaborate.

Industry reports suggest, however, that Intergraph has joined forces with Fairchild's management and with Fujitsu of Japan to present Schlumberger with a proposal to acquire a majority stake in Fairchild.

The reports say Intergraph is proposing to acquire 20 per cent of Fairchild while Fujitsu would hold another 20 per cent. Fairchild management would hold 40 per cent, with the remaining 20 per cent to be retained by Schlumberger.

Fairchild confirmed that it had proposed a management led buyout and that it viewed strategic alliances as very important. It declined to comment on Intergraph's statement or on the state of current talks.

Intergraph is a major Fairchild customer. The company buys Fairchild's "clipper" 32 bit microprocessor for use in its high-performance work stations. The company's interest in acquiring a stake in Fairchild is believed to stem from its desire to ensure future supplies of the clipper chips.

Fujitsu originally aimed to acquire 80 per cent of Fairchild and merge the company with its US and European semiconductor operations.

Joe Mann reports on how Caracas is attempting to maintain oil revenues

Venezuela sets sights overseas

VENEZUELA'S national oil company, Petroleos de Venezuela (PDVSA), is moving ahead with an ambitious programme of investments in petroleum refining and distribution companies in the US and Europe.

These investments in downstream oil activities are designed to ensure placement of a major share of Venezuela's oil exports, even during times of sharp competition among oil producers.

The programme, one of the boldest undertaken by any state-owned oil company, has so far involved the purchase of major shares in a total of four refining and distribution system in West Germany (Veba Öl), Sweden (Nynas Petroleum) and the US (Citgo Petroleum and Champlin Refining). Overseas investments up to now have totalled $395m, according to the Government.

At least one more important investment outside Venezuela is expected soon. PDVSA representatives are said to have discussed new joint ventures with a variety of companies, including British Petroleum, Exxon and Unocal of the US Spain's Cepsa and Elf Aquitaine of France.

As world oil prices headed for a crash at the end of 1985, the Government of President Jaime Lusinchi became concerned over the possibility of losing important export markets for its crude oil and products and told PDVSA to move ahead with its plans for overseas investments.

Venezuela first bought into an overseas oil enterprise in 1983 when it invested the equivalent of DM 185m ($97m) to finance a 50-50 venture with Veba Öl called Ruhr Öl (Ruhr started out with a 210,000 barrel a day (b/d) refining complex processing heavy crude oil from Venezuela. Although this effort succeeded, some Venezuela politicans opposed any further such investment offshore. However, the oil price collapse of 1985-86 forced them to change their stance.

President Lusinchi

Venezuela's national economy depends on a steady flow of export revenues from PDVSA and the government relies on oil for most of the country's foreign exchange and for a big share of treasury revenues.

The Government was hit hard by falling oil prices in 1986 when oil exports dropped to $7.2bn, against $12.9bn in 1985 and $14.6b in 1984. This decline would have been sharper had PDVSA not been able to place part of its oil exports with foreign partners and potential partners.

Mr Juan Chacin, PDVSA, said recently that his company's downstream investment scheme – called "internationalisation" in Venezuela – ensured placement of around 435,000 b/d of crude oil and products and that the goal was to obtain assured markets for 700,000 b/d. So PDVSA is aiming for minimum assured placement of almost half of its projected 1987 export volume of 1,520,000 b/d.

The 435,000 b/d figure refers to a minimum average volume level since Venezuela has the option to supply up to around 585,000 b/d to its overseas partners, according to government figures.

In addition to sales to its foreign partners, Venezuela also ships an average of 140,000 b/d to the former Shell refinery in Curacao (320,000 b/d capacity), which PDVSA began leasing in late 1985 from the Government of the Netherlands Antilles. The rest of Venezuela's oil exports go to around 100 clients in the US, Europe, the Caribbean and Latin America.

Not all of Venezuela's recent investment projects have been realised. Early last year the Governement announced that PDVSA planned to invest $11m for a half-interest in Steuart Petroleum, a firm based in Washington, DC that distributes oil products on the east coast.

But last June Steuart abruptly pulled out of the deal, shortly after a major political scandal had erupted in the Venezuelan Congress over ongoing negotiations between PDVSA and Citgo. PDVSA said Steuart's decision was due to "substantial changes in the oil market."

However, industry analysts said the closely held US company simply did not want to risk becoming the target of political attacks and investigations in Venezuela, as was the case with Citgo and its parent company, Southland.

Venezuela's stratgy in its downstream investments overseas is based on a desire to ensure access to stable markets over the long term for its crude and products. In keeping with the Government's wish to avoid spot or speculative sales of Venezuelan oil, PDVSA has invested in companies with their own distribution systems and access to industrial and retail consumers.

When shopping for new investments, the Venezuelan's are not interested in full ownership, but wish to take advantage of their partners' technical and marketing expertise. Venezuela also wants to buy equity in downstream companies with a minimum initial investment, making use of dividends, cash flow and bank credits in the country where the investment is made to finance the rest of the stock purchase.

Until now, PDVSA has given preference to refineries capable of processing heafy crudes, since Venezuela holds large reserves of heavy oil.

The scope of potential partners has been limited by two major factors. For example, there are not a large number of refineries in the US or Europe fitting PDVSA's requirements and capable of processing a wide range of Venezuelan crudes, especially heavy crudes. And among plants geared to handle heavy oil, not all owners are interested in selling a piece of the business.

Also, a long-standing legal problem over hundreds of millions of dollars in old tax claims against former concessionaires such as Exon, Royal/Dutch Shell, Mobil and Gulf limited the types of associations the big oil companies would consider with Venezuela. This and other memories of the Government's 1976 nationalisation of foreign oil companies left some bad impressions among the majors.

The tax claim problem, a source of bitterness for years in some oil company boardrooms, was finally resolved last year. This may open the door to future associations between the Venezuelans and some companies working in the country prior to nationalisation.

Foreign oilmen say they believe the results of PDVSA's overseas investments have been positive up to now, although it is hard to make a precise valuation since the company does not release financial data on its offshore investments.

INTL. COMPANIES AND FINANCE

Buyout at Morse Shoe

By Roderick Oram in New York

MORSE SHOE, a leading US footwear manufacturer and retailer, has agreed to a management buyout as a defence against a takeover offer from Mr Asher Edelman, the New York corporate raider.

A management-led investment group is offering to pay $47 cash per share, valuing the Massachusetts-based group at $263m. Its shares rose $4 to $45¾ in heavy early trading.

Mr Edelman offered $40 a share last week, several months after first expressing interest in the company. He has been far more involved recently in an abortive bid for Burlington Industries, the largest US textiles maker. He was thwarted by a capital restucturing and is believed to be negotiating his withdrawal terms.

Morse, which concentrates on popular-priced family footwear, operates about 600 leased shoe departments in discount stores in the US and Canada.

Mannesmann

MANNESMANN is paying a DM 5 ($2.70) a share dividend for 1986 and not DM 5.80 as stated yesterday.

PKbanken optimistic despite unchanged first four months

BY KEVIN DONE, NORDIC CORRESPONDENT, IN STOCKHOLM

PKBANKEN, Sweden's third-largest commercial bank, yesterday reported virtually unchanged operating profits for the first four months of the year.

Group profits totalled SKr 656m ($103.3m) compared with SKr 655m a year earlier although on a comparable basis profits showed a slight fall of 2 per cent.

PKbanken said it expected profits for the full year to be close to last year's record level. Operating profits in 1986 jumped by 35 per cent to SKr 2.09bn.

Conditions in the Swedish financial markets have changed radically in recent months with a rise of some 3 percentage points in short-term interest rates between November and mid-March and a jump of more than 2 percentage points in long-term rates.

As a result the banks have been unable to repeat last year's windfall capital gains from the sale of bonds, which dramatically boosted banking sector profits in 1986.

PKbanken said interest income for the group rose during the first four months of this year by 16 per cent to SKr 1.48bn, and at the same time credit losses were cut to SKr 139m from SKr 266m in the corresponding period last year.

The absence of capital gains from bond sales hit the profitability of the parent bank, where operating profits fell by 14 per cent to SKr 526m from SKr 615m a year ago. Excluding last year's capital gains operating profits for the parent bank rose by 6 per cent.

The bank's subsidiaries developed more favourably. PKbanken said its finance company PKfinans was returning to "normal profit levels" following the plunge into loss last year.

The bank's bond portfolio was 23 per cent lower in the first four months this year than a year ago while lending increased by 8 per cent.

Overall money market interest rates in the first four months were still some 1.7 percentage points lower than in the first four months of 1986, but the positive impact on interest margins was weakened by more intense competition on lending rates to both corporate and retail customers.

Sosnoff raises Caesars World offer

BY OUR FINANCIAL STAFF

MR MARTIN SOSNOFF, the New York investor, has raised his tender offer for Caesars World shares to $35 each from $32 but cut the number of shares he is seeking in the offer to 26.5m from 29.1m.

Mr Sosnoff already owns about 4.2m shares, or 14 per cent, in the hotel/casino group, which has rejected his approaches. The latest offer values Caesars at more than $1bn, and is in response to Caesars' recapitalisation plan undertaken to thwart the Sosnoff bid.

In a newspaper advertisement, Mr Sosnoff said the offer, withdrawal rights and proration period would still expire on June 19 unless extended. The offer, if successful, would be followed by a merger

Mr Sosnoff said shares not acquired in the tender would be exchanged for common and preferred securities valued at $35 a share.

AIBD BOND INDICES

WEEKLY EUROBOND GUIDE MAY 29 1987

	Redemption Yield	Change on Week %	12 Months High	12 Months Low
US Dollar	9.581	−1.247	9.702	8.440
Australian Dollar	13.877	0.072	14.735	12.835
Canadian Dollar	10.467	−2.795	10.819	9.372
Euroguilder	6.140	−0.276	6.250	5.804
Euro Currency Unit	8.491	0.035	9.041	8.175
Yen	5.649	−1.414	6.702	5.218
Sterling	9.704	1.031	11.609	9.443
Deutschemark	5.900	−0.237	6.652	5.899

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Inquiry into acquisition of control in Woolworths

BY CHRIS SHERWELL IN SYDNEY

THE NATIONAL Companies and Securities Commission (NCSC), Australia's sharemarket and takeover watchdog, yesterday announced a private inquiry into the acquisition of effective control in Woolworths by companies headed by Mr Ron Brierley, the New Zealand entrepreneur.

The announcement followed a Woolworths board decision on Tuesday not to call a shareholders meeting to consider the proposed acquisition by Brierley Investment of 30 per cent of Rainbow Corporation in New Zealand.

Rainbow and Industrial Equity, Brierley Investment's Australian offshoot,. each hold just under 20 per cent of Woolworths, and the NCSC is concerned that Brierley interests will gain effective control of the retail group without a full takeover bid.

Had the Woolworths board decided on a shareholders meeting, there might have been no problem. But the board said the NCSC appeared to have decided that there had been a breach of the takeover code, and it effectively put the ball in the commission's court.

It is unclear where the inquiry will lead in what is a complex legal situation. Already there have been extensive exchanges between the commission and the Brierley group.

The outcome is important to Woolworths, which has been struggling to increase sales and profits in recent times. Last month Mr Paul Simons returned to the company as chief executive, charged with the task of engineering the group's recovery.

City Resources Asia buys gold interests

By Kevin Hamlin in Hong Kong

CITY RESOURCES ASIA, a precious metals exploration and investment concern related to Australia's City Resources, is acquiring gold exploration interests in Papua New Guinea for HK$130.4m (US$16.7m), floating its gold exploration interests in Vanuatu on the Australian stock exchange, and mounting a one-for-two rights issue with warrants to raise HK$223.6m, it was announced yesterday.

It is buying the gold exploration rights in the d'Entrecasteaux Islands in Eastern Papua New Guinea from City Resources Pacific, a wholly-owned subsidiary of City Resources.

City Resources and City Resources Asia also plan to float their Papua New Guinea gold prospecting interests, jointly held through Vanuatu Gold, on the Australian stock exchange. They have been indepndently valued at A$27m.

Adsteam to simplify part of its corporate structure

BY OUR SYDNEY CORRESPONDENT

ADELAIDE STEAMSHIP (Adsteam), the Australian conglomerate headed by entrepreneur Mr John Spalvins, is to simplify part of its corporate structure involving David Jones, DJ's Properties and Tooth, the group's quoted associates.

Under the change, DJ's Properties, an investment company which is currently 49 per cent owned by Adsteam, will become a wholly-owned subsidiary of David Jones.

Adsteam will, in the process, reduce its stake in David Jones from 49.9 per cent to 45 per cent. Apparently, there will be no change in David Jones's cross-holding in Adsteam, which is around 32.6 per cent.

Likewise, DJ's Properties and Adsteam together will continue to control Tooth and Co, which has interests in wine, hotels, food distribution and investment. Adsteam's stake in Tooth is 47 per cent.

Under the terms of yesterday's move, David Jones will offer Adsteam one of its shares for each share held by Adsteam in DJ's Properties. Minority shareholders in DJ's Properties will receive A$11 per share. The terms value DJ's Properties at about A$200m (US$143m).

Apart from simplifying the group's complex structure, Adsteam's moves have already yielded some cash since, to pave the way, Adsteam first privately placed 9.5m David Jones shares off the market at A$10.50.

Temporarily reducing its stake in David Jones, ensured that David Jones would at no point in the transaction become a subsidiary of Adsteam.

It is also likely to produce a handy extraordinary profit to counter the investment losses Adsteam has incurred by backing its view that the Australian share market would fall.

Compromise reached on Australian media law

By Our Sydney Correspondent

A COMPROMISE between the Labor Government and the opposition National Party has lifted the threat to legislation giving effects to the recently proposed shake-up of Australia's media industry.

Last month, unexpected opposition from the Liberal Party to the proposed changes had jeopardised the multi-billion dollar media purchases made earlier this year by the Bond organisation, the Fairfax group and the Westfield/Northern Star group.

But this week the government and the smaller National Party agreed on adjustments to the changed ownership rules and this allowed the legislation to pass through the Senate, or Upper House, on Tuesday night.

The bill in its original form removed the old two-station limit on ownership of television stations but prevented a media company reaching more than 75 per cent of the national audience.

Under the compromise, the upper limit is reduced to 60 per cent. There are also changes to the new rules concerning the expansion of regional television into neighbouring areas.

The new 60 per cent limit leaves the original deals involving Australia's major television channels unscathed, although it obviously reduces the scope for future expansion.

The Bond group, for example, had created the largest network yet through its A$1.1bn (US$786m) purchase of Mr Kerry Packer's Channel Nine stations in Sydney and Melbourne. But its four stations have an audience reach of 59 per cent, just under the new limit.

Had the legislation failed to pass through parliament, the Bond group would have been put in clear breach of the existing legislation. It was this sort of embarrassing prospect, and plenty of lobbying, which helped produce this week's compromise.

Advance by Kubota despite rising yen

BY YOKO SHIBATA IN TOKYO

KUBOTA, Japan's leading maker of agricultural machinery, managed, through cost saving efforts, to overcome the negative impact of the rising yen, with pre-tax profits advancing by 9.2 per cent to Y20.57bn ($146.8m) in its year to April 15.

The result was achieved despite a decline in sales of 2.9 per cent to Y570.73bn. Kubota said its export sales fell 20 per cent to account for 15.6 per cent of the total turnover, under the impact of the yen's appreciation.

Notwithstanding the better than expected performance, the company is cutting its annual dividend as forecast, to Y5 per share compared with Y6.25. This is being paid from parent net earnings up at Y11.17bn, or Y8.16 per share, against Y10.41bn or Y7.71 a share.

Currency fluctuations caused an exchange loss of Y24bn, which was more than offset by Y17bn in cost savings and Y12.2bn in income from sales of securities. Cost saving efforts included a cut in salaries for directors and managers.

Sales of engines including agricultural machinery fell 6.3 per cent to account for 43.8 per cent of the total. Sales of pipes declined by 1.7 per cent to account for 26.3 per cent, while housing material sales, accounting for 8.7 per cent of the total, rose 8.8 per cent.

In the current accounting period — which will cover 11½ months to a new year-end on March 31 — Kubota's pre-tax profits are expected to improve further, reaching Y24bn, on turnover again reduced to Y540bn. The forecasts are predicted on an average exchange rate of Y140 to the dollar.

Grindlays Bank launches Pakistan leasing venture

BY MOHAMMED AFTAB IN ISLAMABAD

GRINDLAYS BANK, part of the ANZ group, yesterday launched a leasing venture to be operated by its Pakistani branches and known as Grindlays Services of Pakistan.

Grindlays has 14 branches in Pakistan, the largest network of foreign banks in the country. The new company is launching an Islamic *modaraba* (leasing) fund for which Grindlays has invited subscriptions for PRs 80m ($4.62m). Half of this will be raised from Pakistanis living abroad, while the bank will inject an additional PRs 20m.

The arrangement is the third in Pakistan but the first by a foreign bank. It is designed as an investment vehicle which, in accordance with Islam, contains no element of bank interest.

Pakistan began the switch to interest-free Islamic banking in 1980, and all domestic and foreign banks operating there were required to change over in 1985. Depositors get a share in profits at the end of each six months. Similarly, the banks share in the profit of a business

Grindlays Services will use the money for leasing of plant, machinery, motor vehicles, and computer equipment.

Subscribers to the fund will receive tax-free income. Non-resident Pakistanis will have the option to receive income in US dollars. Full repatriation of the principal and capital gains will be allowed, and the Islamic *zakah* welfare tax and not be deducted.

The company has announced that it will declare 90 per cent of profits as dividend each year. The leasing industry is generating average returns of 18 to 20 per cent a year. The new business is expected to be listed on the Karachi Stock Exchange.

Cheaper borrowing lifts Dentsu

DENTSU, Japan's largest advertising agency, yesterday reported unconsolidated pre-tax profits for the year to March up 18.8 per cent to Y15.42bn ($108.5m), the second biggest earnings figure in the company's history, Kyodo reports from Tokyo.

Sales totalled Y822.5bn, up 4.4 per cent. Dentsu attributed the profit increase mainly to improved financial accounts, due in turn to lower interest rates

Alexander Nicoll on the quest for profitable solutions to the Latin American debt crisis

Fresh approach to Third World lending

A NEW spirit of entrepreneurial competition has emerged between—and even within—US banks with large loans outstanding to troubled Third World debtor countries.

After being all cast into the same boat by Mexico's 1983 cash crunch, which was followed by repeated reschedulings in all but two Latin American countries, the stronger and bolder banks are stepping out.

Their balance sheets strengthened—but with the realisation that their Third World exposure will remain a problem for some time to come—they are seeking to develop profitable businesses out of the mess.

Its ultimate goal, to return major debtors to voluntary lending in the marketplace, was clearly being pushed far into the future as Brazil suspended interest payments to banks in February.

That a new approach must be developed was signalled earlier this year by the problems which surrounded the arrangement of a $7bn loan for Mexico—now commonly viewed as the last "forced lending" package along tradtional lines.

The new trend falls in with the general desire of commercial banks to develop as investment banks: getting loans off the balance sheet, earning fees as arrangers of deals, and moving into areas such as venture capital.

Bankers with this bent, and with responsibility for Latin American businesses of their banks, had been chafing at the increasingly creaky containment policy adopted by the banking community towards the debt crisis: trying to persuade all creditor banks to put up new loans so that interest payments could be maintained and accounting losses avoided.

Its ultimate goal, to return major debtors to voluntary lending in the marketplace, was clearly being pushed far into the future as Brazil suspended interest payments to banks in February.

That a new approach must be developed was signalled earlier this year by the problems which surrounded the arrangement of a $7bn loan for Mexico—now commonly viewed as the last "forced lending" package along traditional lines.

Citicorp's decision last month to add $3bn to its loan loss reserves, followed by banks including Chase Manhattan and Security Pacific, set the seal on a new attitude: to take losses on loans where necessary, perhaps through trades or sales of debts or through innovative instruments, but with a view to using the portfolios and thedebtor economies as a potential source of profit.

Under this approach, banks are still to be asked to take part in new financings. Mr John Reed, Citicorp chairman, said in announcing the provision: "We believe that it is vital that countries with good economic policies receive the support of the international community, both with regard to equity investment and debt investment. This is not a negotiating ploy. It will not change our posture on negotiations in any way."

Apart from being pressured by example into reporting embarrassing losses which they may be less able than Citicorp to withstand, some New York bankers complain that the unilateral and aggressive Citicorp move has undercut the co-operative spirit which has so far characterised banks' handling of the debt crisis.

Co-operation between bankers had recently been enhanced by a task force of money centre and regional banks, headed by Morgan Guaranty, which had worked on regional bank concerns and influenced elements of the Argentine package.

Mr John Reed: advocates support for countries with good economic policies.

Bankers complain that its work has been undercut by Citicorp's move because regional banks, which have often been unwilling to participate in new financings, will show renewed reluctance to put up new money since, by implication, they simultaneously have to reserve against it.

Bankers also point out that the menu is particularly appealing to banks such as Citicorp which, thanks to their extensive Latin American networks, can use new instruments to competitive advantage.

They believe that the scope for using instruments such as debt/equity swaps is limited and that the menu can have only a marginal impact on the overall debt problem.

There are differing views even within banks. This is suggested by the fact that the new policy has been most forcefully adopted by Citicorp, which has itself been the leader of traditional forced lending packages as chairman of the advisory committees for the three biggest debtors, Brazil, Mexico and Argentina, as well as Peru and Uruguay.

However, the key is that instead of forcing banks into semi-compulsory lending, it must be made attractive to them to take part. Hence the "menu of options" of which a $1.95bn financing for Argentina now being sought is the prototype. If banks are unwilling to lend, they should be encouraged—in sharp contrast to previous practice—to leave the field so that new money lent by others is not simply paid out in interest to them.

The new approach is far from being a universal one. Though there is no disagreement that old methods needed revamping, even US banks which have embraced new mechanisms such as debt/equity swaps have been discomfited by Citicorp's decision.

Consequently, questions abound in New York about the future role and composition of the advisory committees which negotiate with debtors on behalf of creditor banks.

Though no bank appears to be jockeying to take over the unenviable leadership role, it could prove more difficult for Citicorp to persuade other committee members to adopt packages along the lines it wants.

There have already been some notable disagreements between Citicorp and other banks—on the Philippines and Chile, with Manufacturers Hanover the chairman in both cases. Citicorp's reserve posture makes it more likely to hold out for what it wants.

Meanwhile, moves have already been under way to shake up the membership of committees—perhaps including more Japanese, British and US regional banks—to reflect current loan exposures and individual banks' changing interests. Those could now be accelerated.

Also uncertain is the impact on the negotiating stance of debtor countries. "Citicorp has changed the terms and taken the risk that its move will encourage the banks more than it will embolden debtors," says a senior official at a rival New York bank.

Such questions—mostly still unanswerable—about the future conduct of banks' negotiations are probably more pertinent at this stage of the debt crisis than blanket predictions that, for example, new bank lending will cease or that the Baker Plan is dead.

These questions tend to ignore the fact that big lender banks, especially with relatively low levels of loan loss reserves in the US—even after the latest moves and similar decisions expected from other banks—still have a huge interest in a smooth resolution. A prolonged withholding of interest payments by one or more major debtors would still be very costly to them.

Negotiations with Brazil are looming, and the pattern for them will be crucially affected not only by the Brazilian internal situation but by the success or otherwise of the Argentine package.

Citicorp, as chairman of Argentina's committee, last week made a show of being the first to pledge its commitment to the loan, as did other US banks on the committee. It remains to be seen whether its components, including incentive fees for early commitment, will encourage other banks to follow, avoiding the problems which dogged the Mexican loan. If they do not, the handling of the debt crisis really will be back on the drawing board.

Household Mortgage plans third sterling deal

By Our Euromarkets Staff

HOUSEHOLD Mortgage Corporation, the privately-held UK home lending concern, is expected soon to launch the third issue this year in the fledgling sterling mortgage-backed Eurobond market. The deal will raise around £150m.

Terms of the issue, which will be led by S. G. Warburg Securities, have not yet been fixed but it is likely to include some novel features which are intended to combat investors' dislike of the uncertain repayment schedule on these types of issues.

The main feature is likely to be an increase in the interest margin rate on the bond after a given number of years. This will signal the borrowers' intention to call the issue, enabling investors to view it as an instrument with a fixed last maturity date.

An uncertain repayment date, which is an inevitable feature of these issues since borrowers cannot be sure when home owners will repay their mortgages, is thought to have caused resistance to the two mortgage-backed deals launched earlier this year, for National Home Loans and Mortgage Corporation, the Salomon Brothers' subsidiary.

Household Mortgage's bond may also be expected to include a provision for the borrower to substitute new mortgages for those drawn down during the first year or so of its life. Depending on the extent of the substitution, this could guarantee to the investor that there will be no amortisation during that period of the bond's life.

Mr Duncan Young, managing director of Household Mortgage, said yesterday the precise structure of the issue was still under discussion. Inclusion of either the mortgage substitution or step-up interest rate features would increase the cost of launching the bond, if the issue is to obtain a triple-A rating from Standard & Poor's, the credit rating agency, as is hoped.

Dollar sector quiet ahead of summit

BY CLARE PEARSON AND STEPHEN FIDLER

TRADING OF Eurodollar fixed rate bonds was subdued yesterday as the market struggled to recover its poise after sharp price falls on Tuesday triggered by the announcement that Mr Paul Volcker had not accepted a third term as chairman of the US Federal Reserve Board.

Dealers marked prices easier where changed, but Eurobonds traded in a narrow range along with the US Treasury bond market, where dealers were reluctant to move prices ahead of next week's Venice summit.

Unsurprisingly, despite yesterday's partial recovery, no lead manager felt brave enough to issue a straight dollar Eurobond.

With the Tokyo Stock Exchanges closing at yet another record high, after shaking off its early morning Volcker blues, Japanese equity-linked issues continued to come to market. Tuesday's issues also rallied, including that for Mitsubishi Chemical, which rose over a point to be quoted at 105 bid.

Hokuriku Bank brought a $100m convertible issue with a 2002 maturity through Yamaichi International. The bond carries an indicated 1¾ per cent coupon and a conversion premium indicated at 5 per cent. The issue rose to a premium of 102 bid.

Nomura International led a $100m five-year equity warrants bond with an indicated 1⅞ per cent coupon for Toyo Sash, the aluminium housing materials company. The deal was quoted at around 101 bid.

The now familiar coupon cuts took place on three Japanese equity warrants issues priced yesterday.

Jardine Strategic Holdings, the Bermuda based holding company which owns 26.5 per cent of Jardine Matheson, the Hong Kong trading company, and has other important Far Eastern interests, brought an issue of 150,000 convertible preference shares, each priced at $1,000.

The callable issue, through Credit Suisse First Boston, carried an indicated dividend of 6¾ to 7 per cent and an indicated conversion premium of 12 to 16 per cent. Fees totalled 4 per cent and the issue was indicated at a one-point discount to issue price.

In Ecu, Kemira Oy, the Finnish state chemicals and pharmaceuticals company, launched an Ecu 100m, five-year bullet issue through Kansallis-Osake-Pankki. It carried an 8 per cent coupon and 101 issue price was quoted within its 1¾ per cent fees.

In Australian dollars, Fiat, the Italian car maker, brought an A$50m, three-year issue, led by Credit Suisse First Boston, through a Cayman Islands finance subsidiary. Carrying a

INTERNATIONAL BONDS

14½ per cent coupon and a price of 101⅜, the issue was quoted at a discount around its total fees of 1½ per cent.

Prices in the D-mark market firmed during early trading, spurred on by Tuesday's appreciation in the DM/dollar exchange rate, but drifted downwards later as the dollar stabilised.

Two issues emerged, to enthusiastic receptions from the market. The first was a DM 150m seven-year 6¼ per cent bond for Hoesch International Finance, guaranteed by the parent. The deal, led by Deutsche Bank, traded at around 99¼ bid compared with a par issue price.

Dresdner Bank followed this deal up with a DM 200m five-year 5 per cent bond for Oesterreichische Kontrollbank, priced at par. This too traded at discounts close to its issue price.

In Switzerland, bonds traded quietly as dealers watched the dollar.

● Credit Suisse First Boston and Lazard Freres announced an international offering of 150,000 new bearer shares in Compagnie Financiere Michelin, the Swiss subsidiary of the French tyre company.

Credit Suisse is leading an issue of equivalent size in the Swiss market. The combined offerings are expected to raise a total of SFr 300m, but if the expected pricing receives shareholder approval.

Germans oppose insider trading sanctions

BY ANDREW FISHER IN FRANKFURT

WEST GERMANY'S stock markets continue to set their collective face against any form of legal sanctions on insider trading, preferring their own voluntary system.

Mr Gernot Ernst, president of the Berlin bourse, said yesterday that he would regret it if current European Community studies on the problem led to legal measures having to be introduced by member countries following recent scandals in the US and UK.

Speaking as president of the Association of West German Stock Exchanges, he said that a flexible voluntary system, as operated in Germany, was preferable to "rigid legal rules."

Insider cases are rare in Germany, though some market sources claim that the practice is common, but hardly ever comes to light in the cosy German trading system. The West German Association for the Protection of Shareholders called for tighter rules earlier this year.

Dealing with another activity which has received much foreign publicity, unfriendly takeovers, Mr F. Wilhelm Christians, co-chairman of Deutsche Bank, defended recent moves by some German companies to prevent these.

Latest figures from the stock market association showed that share turnover in May was at its lowest this year, as prices remained weak in the face of the lower dollar and foreign investors were less keen to trade.

Turnover in stocks and bonds was DM 158bn ($88bn) in May against DM 169m in April. The share of equities was DM 55bn, well down on the DM 67bn of April and just under the previous low in February.

ABN issue proceeds aimed at US purchase

By Laura Raun in Amsterdam

ABN, the biggest bank in the Netherlands, plans to use the proceeds of its Fl 720m ($355m) convertible preferred share issue to buy an American bank, possibly in the Mid-West.

Mr Robertus Hazelhoff, chairman of ABN, said yesterday that the bank would have around Fl 1.1bn available for such a purchase, although no negotiations were under way. ABN is actively looking for a sound, well managed bank to expand its US activities, which are based at LaSalle National Bank of Chicago and geared towards corporate finance as well as cash, money and capital markets.

Mr Hazelhoff also said ABN expected its half-year earnings to fall below those of 1986, although full-year profits are expected to nearly match the Fl 527m of last year.

Some 30 per cent of the 15m share offering will be placed abroad, in Europe and Singapore, by an international syndicate of 12 foreign banks.

Norway seeks SE changes

NORWAY'S minority Labour Government will propose laws to reorganise the stock exchange, which will give it an effective right of veto on the ruling board and the power to set stock exchange company rules, according to senior bourse officials, reports Reuter from Oslo.

The officials said the proposals would be published on Friday and they included installing a government-appointed majority on the stock exchange board.

The Norwegian stock market is at present self-regulatory.

Wella buys Turkish groups

WELLA, the West German hair care group, has bought two Turkish companies, Tuerkimya and Transkimya, reports Reuter from Darmstadt.

The two have nominal capitals of TL 13m ($16,000) and TL 16m respectively. Wella declined to give the group's turnover on grounds of protecting its regional competitiveness.

Mexican debt

Owing to an editing error in London, the introductory paragraph of Tuesday's article on Mexican debt/equity swaps was rewritten wrongly. It should have read: "The demand to convert discounted Mexican sovereign debt — and other devalued Third World foreign debt — into equity investment looks set to exceed by far the amount of such paper coming on to this growing market."

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on June 3

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	92⅝	93⅛	−0½	+0¼	9.35
A/S Eksportfinans 7⅝ 93	100	92⅝	92⅞	+0⅛	+0⅜	9.16
A/S Eksportfinans 7¼ 92	150	95⅜	96	−0½	−0⅛	8.97
Austria 7⅜ 97	200	90½	91	+0⅛	+0⅜	9.22
BP Capital 9⅛ 94	100	99⅛	99⅜	+2⅛	+0⅜	9.24
British Telecom 7⅝ 96	250	88⅝	89⅛	−0⅛	−2½	9.46
Campbell Soup 10½ 95	100	106⅛	106⅝	+0⅛	+1	9.34
Canada 9 96	1000	99	99⅜	−0⅛	0	9.14
Canadian Pac. 10⅞ 93	100	104⅛	104½	−0⅛	+0½	9.78
CCCE 7⅛ 91	113	94	94⅜	−0⅛	+0⅛	8.77
CNCA 7¼ 91	150	93⅞	94⅛	−0⅛	+0½	8.89
Citicorp 8¾ 93	200	89⅝	90⅛	−1⅛	−1⅛	10.51
Credit Lyonnais 9 91	200	99⅞	100⅛	−0⅛	+0⅛	8.94
Credit National 7⅜ 92	100	93⅛	94⅛	−0⅛	+0⅛	8.95
Credit National 9⅛ 93	250	99⅝	100⅛	0	+0⅜	9.14
Credit National 7¼ 91	150	93⅞	94⅜	−0⅛	+0⅛	8.85
Denmark Kingdom 7⅛ 92	500	91⅝	92⅛	−0⅛	+0⅜	9.30
Denmark Kingdom 8¾ 91	300	96⅛	97¼	+0⅛	+1⅛	9.15
EEC 7 91	100	93⅞	94⅛	−0⅛	+0⅛	8.68
EEC 8¼ 96	100	94⅝	95⅛	+0⅛	+0⅜	9.20
EEC 7¼ 93	250	91	91½	−0⅛	−0⅜	9.27
EIB 7⅝ 93 A	100	92	92⅜	−0½	−0⅜	9.27
Finland 7⅞ 97	200	89½	90	−0⅜	−0½	9.53
Finland 7½ 93	200	92⅛	92⅝	+0⅛	+0⅛	9.11
Ford Motor Cred. 10½ 91	150	105½	106	0	+0½	8.84
Ford Motor Cred. 11⅛ 90	100	106	106½	−0⅜	+0⅜	8.64
Gen. Elec. Cred. 10¼ 00	200	†101½	102	−0⅞	−1⅛	10.00

[illegible]

CONVERTIBLE BONDS (continued)						
Nippon Elec. 2⅞ 00	1/85	1295	247½	248⅜	+7	182.78
Nippon Oil Co. 3 00	5/85	923	†230	231	+4	−6.65
OKI Elec. Ind. 3½ 99	10/84	865	156⅛	158⅛	+3⅛	2.27
Onward Tateishi 2⅞ 02	4/87	1350	93	94	−0⅞	−7.46
Sanwa Bank 2⅛ 00	10/85	1442	375⅛	378⅛	+2⅛	−0.71
Sumitomo Bank 2⅛ 00	8/85	2742	360	361	+2	2.97
Toshiba Ceramics 3 00	4/85	1734	137⅛	138½	+5½	13.52
Nippon Oil Co. 2⅛ 92 SFr	3/84	1901	†138	139	−2	−3.68
Yokohama Bank of 2⅞ 01	10/86	1045	209	210	+3	3.27

* No information available—previous day's price.

† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars. C.cpn=The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

PAINTS AND DIY DIVISION ATTRACTS POTENTIAL BUYERS

Consumer publishing boosts Reed

REED INTERNATIONAL, the publishing, packaging, paints and paper conglomerate, has lifted its pre-tax profit by 37 per cent for the year ended March 31 1987, from £137.4m to £188m.

Earnings per share rose by 34 per cent to 26.6p, and the final dividend is 5.75p to take the net total from 5.65p to 8p.

The figures were at the top end of brokers' forecasts and the shares rose 12p to close at 462p.

Mr Peter Davis, chief executive, confirmed that he has had "a lot of interest" from potential buyers of the paints and DIY division, which went up for sale last month.

An announcement is expected "by the end of the month."

Although group turnover remained static at £1.85bn, trading profit on continuing activities rose by 35 per cent to £201m, some £4m less than they would have been but for adverse currency movements. Most of the increase came from UK publishing and paper manufacturing in both Europe and North America.

The biggest single rise was achieved by UK consumer publishing, where trading profits nearly trebled from £7m to £20.4m, on turnover of £188m, up £1m on last year.

"The magazines have got their confidence back after the trauma of last year's rationalisation when staff and titles were lopped root and branch," said Mr Davis.

Reed Publishing UK, which includes Butterworths, Reed Telepublishing, Reed Business Publishing and a string of 110 regional newspapers, increased trading profits by 47 per cent to £45.7m (£31m).

European Paper contributed £21.5m (£14.9m), an increase of 44 per cent. According to Mr Davis, this was due to a combination of reduced waste paper prices, lower fuel costs and increased productivity.

The modernisation programme at the Quebec newsprint mills helped profits in the American paper division rise by 72 per cent to £24.4m (£14.2m).

Profits in the US publishing division rose 14 per cent to £42.1m (£37m), including £7m from Technical Publishing and American Baby acquired during the year.

Packaging contributed £26.9m (£23.7m) to trading profits. The £700,000 loss by the Medway paper sack division, sold earlier this year, was disclosed separately. Reed Trading's profits increased from £7.9m to £8m, held back by losses at Maybank, the waste-paper dealer, but including £10m from Spicers, the office stationery supplier.

Proceeds from divestments were £35m (£139m) and the total spent on acquisitions was £211m (£101m). Net indebtedness at the year end came to £168m (£79m), equal to 21 per cent of total funds invested.

Peter Davis, chief executive of Reed.

See Lex

Embattled Bremner moves for stockbroker

By Philip Coggan

Mr James Rowland-Jones, the pugnacious chairman of Bremner, the shell company embroiled in a battle over boardroom control, yesterday announced agreement on the acquisition of Carswell, the Glasgow stockbroker.

Bremner is facing an egm on July 23 at which City and Westminster Financial, a financial services group which has a 27 per cent stake, will attempt to unseat Mr Rowland-Jones and his fellow directors and have its own directors appointed to the Bremner board.

City and Westminster wants to move Bremner, whose Glasgow department store now stands mostly vacant, into financial services so the Carswell acquisition looks a smart move by Mr Rowland-Jones to preempt his rival's proposals.

Mr Rowland-Jones escaped an earlier attempt to unseat him in March, only after he had obtained a court injunction to prevent supporters of City and Westminster from voting. But that restriction has now been lifted and if the other shareholders vote next month the way they did in March, Mr Rowland-Jones would be defeated.

However, as a veteran of many a corporate battle, Mr Rowland-Jones has consistently shown the ability to escape from the jaws of defeat. He has already been voted out of the chairmanship once—in August last year—only to be co-opted back on the board by his fellow directors and has successfully called for a DTI investigation into Bremner's share structure in an attempt to embarrass his opponents.

But Mr Andrew Greystoke, chairman of City and Westminster, was unabashed by yesterday's announcement. "We welcome any decision by Bremner to move into financial services," he said "and indeed, we welcome anything that is in the interests of Bremner shareholders, of whom we are the largest."

No details of the consideration for Carswell will be announced until the profits have been audited but payment will be in the form of Bremner shares at 75p. The group's shares climbed 14p to 90p yesterday.

Guinness links with Moet in an effort to reduce costs

BY CLAY HARRIS

Guinness, the diversified brewing group, yesterday linked up with Moet-Hennessy, the French champagne and cognac producer, in an effort to reduce the cost of distributing its spirits in the US and Far East.

A separate £41.5m acquisition from Inchcape, the international trader, of a spirits distribution network in four Asian countries and Hong Kong will give Guinness greater control over the marketing of its brands.

Guinness announced three deals involving its United Distillers spirits subsidiary.

- In the US, a joint venture between its Somerset subsidiary and Schiefflin, a Moet-Hennessy offshoot, will distribute premium brands nationwide.

These include Johnnie Walker Red and Black label scotches, Cardhu single malt whisky and Tanqueray gin from Guinness and the French company's Moet and Chandon and Hennessy cognac.

- The purchase of Caldbeck from Inchcape gives Guinness distribution right for Johnnie Walker and FOV, an own-label brandy supplied by its Hine subsidiary, in Hong Kong, Japan, Malaysia, Singapore and Thailand.
- A three-way venture between Guinness, Moet and Jardine Matheson, the Hong Kong conglomerate, will distribute the French group's products, as well as Guiness's White Horse whisky in Japan (where the latter is the leading scotch), Hong Kong, China, Taiwan and South Korea.

The US and total Far East operations are expected to have annual sales of $500 each. Guinness would not indicate yesterday what cost savings it expected.

Mr Anthony Tennant, Guinness chief executive, said that the agreements with Moet brought together "tow major European companies with a common objective, to optimise the potential of premium brands on an international scale."

The US venture does not affect existing arrangements with other distributors for other Guinness brands, including White Horse, Dewars and Buchanans.

Inchcape said yesterday that the sale of Caldbeck, after an approach by Guinness, still left it with 60 per cent of its wines and spirits distribution business.

As part of the agreement, Inchcape's existing contracts to distribute Johnnie Walker in the Middle East had been extended from three months to three years.

Although the Caldbeck operations produced pre-tax profits of £4.2m in 1986, Inchcape said the disposal would not have a material effect on its results because of the in terest saved through reduced borrowing.

The purchase price represents a £19.5m premium over net asset value.

Lombard N. Central rises 22%

For the half year ended March 31 1987 Lombard North Central, the finance house arm of National Westminster Bank, advanced its pre-tax profit by 22 per cent, from £39.7m to £48.5m.

Sir Hugh Cubitt, the chairman, said amounts advanced in all sectors increased, with leasing more buoyant than expected. The arrears level continued to improve and losses from bad debts were much lower.

He said Lombard's profitability largely depended on interest rate movements. Provided they showed no unexpected upswing, second half profitability was unlikely to be lower than last time.

The rise in interest rates in the first four months of the half year inevitably had an adverse effect on profitability.

After tax £17m (£19.7m), minorities £1.9m (£1m), and preference dividend £100,000 (same), attributable profit for the six months came out to £29.5m (£18.9m) for earnings of 23.8p (15.3p).

Body Shop profits jump 55%

Body Shop International, the retailing group which has emerged as one of the most successful companies on the stock market by selling products like carrot moisturiser and seaweed shampoo, yesterday announced a 55 per cent increase in interim profits to £3.22m.

During the first half of its financial year, Body Shop expanded rapidly. It opened 10 new shops in the UK, where it now trades from 87 units; and 14 units overseas. The group has moved into Spain, Portugal and several Middle Eastern markets in the interim period and now sports 169 international shops.

This expansion programme will be accelerated in the second half, with 35 openings scheduled, 30 of which will be overseas. Body Shop completed the development of a new 50,000 sq ft warehouse t osupply its international operation last year and is now in the throes of building another 18,000 sq ft unit, which should open later in the financial year.

Last month Body Shop secured the rights to its trademark in the US and Japan, thereby paving the way towards expansion in those markets. The first US shop should open next spring. The group plans to augment its activities in Europe and to develop a presence in the US before moving into the Japanese market.

In the six months to March 31, Body Shop's turnover rose to £13.78m (£8.78m). This increase was fuelled by continued growth from the UK business, where sales rose by 42 per cent, together with rapid expansion overseas.

Body Shop intends to expand its product portfolio within the next few months by adding to the recently introduced Mostly Men and Colourings ranges.

Earnings per share rose to 10.19p (6.48p) during the first half. The board plans to double the interim dividend to 1.2p.

● comment

Body Shop's shares have defied gravity—and the unwritten stock market rules for price performance—ever since the group and its environmentally conscious products first surfaced on the London market. Yet profits have followed suit. The days of doubling earnings year after year may be over, but investors can scarcely quibble with a company which promises continued growth of 40 to 50 per cent into the next decade. Body Shop offers the tantalising combination of organic growth from its domestic market and the prospect of a startling surge overseas. The City expects profits of £5.25m for the present year and a prospective p/e of 48.5 on yesterday's shares which faltered by 15p to 825p. Outlandish for any other stock, but not for the company which could do for seaweed shampoo what McDonalds has done for the beefburger.

DIVIDENDS ANNOUNCED

Body Shop ......int	1.2	Aug 4	0.6*	—	1.5*
James Burrough 2ndint	9.25	July 1	8	13.25	12
Dunhill	4.5	July 23	3.5	7	5.5
Hunter Saphir	‡2.25	July 28	1.65	3.3	2.5
Lyons Irish	¶5.8	Sept 11	5	9	7.5
MEPC ....int	3.25	—	3	—	11.5
Ocean Wilsons	2	—	2*	2.5	2.5*
Plantation Trust	0.25	—	0.75	0.25	0.75
Reed Intnl	5.75	Aug 11	4	8	5.63
Rolfe & Nolan	‡2	July 30	2	3	2
Telecomputing ......int	0.65	—	0.65	—	1.5

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ USM stock. § Unquoted stock. ¶ Irish currency.

MEPC lifts profits to £32.5m

BY PAUL CHEESERIGHT, PROPERTY CORRESPONDENT

MEPC, the property investment group, yesterday produced its expected increase in interim pre-tax profits but left the stock market unmoved.

In the six months to September pretax profits were £32.5m against £27.1m in the same period of last year, a result slightly higher than some City estimates. The half time dividend is 3.25p compared with 3p at this time last year and with payments of 11.5p for the whole year.

On the market the shares showed a fall on the day of 3p to 473p but they barely moved during the session, the decline having taken place late Tuesday evening.

The group is currently seeking to gain full control of Oldham Estates, the property company run by Mr Harry Hyams. It now holds 68.6 per cent of the equity and is still seeking the agreement of Mr Hyams for the acquisition of his stake, by far the greater part of that outstanding.

The Oldham figures were not incorporated in the interim statement but they will be consolidated into the MEPC profits from April 1.

Regardless of Oldham, the group is pursuing a £500m development programme, including the redevolpment of a major City of London office block, Lee House on London Wall. MEPC said it had sufficient financing both for this programme and for the cash element of the shares and cash bid for Oldham.

Cost of finance in the latest half year came to £21.9m

The main stream of MEPC's income—rents from investment properties—came to £48.8m in the six months to March, up from £43.6m in the comparable period, as the group continued to profit from higher levels of revenue caused by rent reviews.

Although there was scant effect on the figures, MEPC warned shareholders that the recent strengthening of sterling has tended to depress results of overseas subsidiaries.

Earnings per share rose to 9.1p during the half, compared with 7.5p in the 1985-86 first half and 16.3p for the whole of that year.

● comment

MEPC has a strong portfolio of office and shop properties, just the areas where rental growth has been apparent. So it was scarcely surprising that its staple income increased. It should go up more in the second half as properties in Reading, Leamington Spa, the City of London, Germany and Australia become rent-producing. But the big push for the final year figures will come from the consolidation of Oldham figures for six months. Over its full year Oldham should increase its pretax from the £27.78m earned in the year to last September, not least because Mr Hyams and MEPC between them appear to be on the verge of filling up Centrepoint.

Assuming he decides not to remain a minority holder in an MEPC subsidiary, the number of MEPC shares in issue could rise from 241.1m to about 327.5m. On the basis that MEPC and Oldham together could produce around £77.5m pre-tax for the full year, this would point to earnings per share of 18.25p, and prospective p/e of 25.9.

Acquisition of Oldham will push up the MEPC net asset value—440p a share last September—to around 490p on brokers' estimates. This would mean that MEPC shares at yesterday's close of 473p look cheapish, assuming an average 5 per cent premium over nav for the major property investment companies.

UK COMPANY NEWS

Dunhill shows 23% advance

Dunhill Holdings, the luxury consumer products group, maintained its progress in the second half of 1986-87 and pre-tax profits for the year to March 31 showed a gain of 23 per cent from £20.09m to a record £24.75m.

Mr Richard Dunhill, chairman said that trading under the Alfred Dunhill name produced substantial growth in menswear, fragrance, watches and leather.

The Dunhill name further consolidated its position in Japan as one of the leading import brands, and enjoyed major growth in the Far East and Duty Free markets. The level of promotional support was again substantially increased, and profitability showed a significant gain.

Montblanc, a world leader in the high-quality pen market, increased sales and showed a strong increase in profits. Worldwide demand for the Masterpiece range continued to grow.

Lane, which manufactures and distributes smoking products in the US, gained market share and maintained a good level of profitability in a market which continued to be difficult.

Turnover last year rose 17 per cent from £129.5m to £151.5m, and group operating profit before interest grew 22 per cent. Net interest income was up from £1.5m to £2m; tax charged was £9.58m (£7.63m) leaving earnings per share of 36.1p (29.6p).

The dividend is increased from 5.5p to 7p with a recommended final of 4.5p and a three-for-one scrip issue is proposed.

The net cash position of the company improved during the year from £35.9m to £40.3m.

● comment

As befits many foreigners' idea of an English gentleman, Dunhill is restrained in the explanations given for its fourth successive year of record profits. Even the major part of the results statement is word for word the same as last year's (and the year before that, and so on). The sources of the losses at Chloe, the now rather faded French designer clothing outfit purchased for £6¼m in 1985, remains something of a mystery. Over the past two years it has not contributed much, if anything, in spite of the £1.6m reported for the year before the takeover. This casts doubts over Dunhill's skills in the acquisition field and perhaps explains why most progress has ben made by adding new products to existing brand names rather than in the use of the £40m cash surplus plus some of the ungeared £65m of shareholders' funds to buy something. As the bran-tub of new products is apparently empty, growth must come from overseas markets where snobbery is a selling angle. Having Rothmans as a 50.1 per cent parent means that Dunhill can take all this in a relaxed manner and still make £30m this year, putting the shares at 706p on a multiple of 16.

Gartmore buys into Canadian investment manager

BY CLAY HARRIS

Gartmore Investment Management, the British & Commonwealth Holdings subsidiary, has agreed to buy 25 per cent of McLean Budden, a Canadian investment manager.

The acquisition marks Gartmore's first large step into the Canadian market, although it last week launched a Canadian equity fund within its Jersey-based Capital Strategy Fund.

The holding will be limited to an initial 10 per cent until liberalised legislation on foreign investment in Canada takes effect at the end of the month. Gartmore did not disclose the cost of the stake in the private partnership.

McLean Budden has C$.05bn (£930m) under management, 64 per cent ofi t in pension funds, in which it has a 2 per cent share of the Canadian market.

Gartmore intends to develop with McLean Budden new international investment products—aimed at Canadian private investors, a sector in which it manages assets worth C$360m for more than 250 clients.

● Exco International, another B&C sbsidiary, has bought 85 per cent of RMJ Holdings, a US government securities broker, rather than the 80 per cent it expected when the deal was announced in March.

Bank of New York, which sold RMJ, decided not to keep a 10 per cent stake, which was further capital to secure its divided instead between Exco and senior executives, who now own 15 per cent. Exco paid a total of $83m (£50m) for its holding.

● In its annual report published this week, B&C said that London Forfaiting, Exco's 85 per cent owned trade finance subsidiary, would be set up as a separate operating unit.

London Forfaiting needed future, accordin gto Lord Cayer, outgoing B&C chairman. The company was considering various financing options including the possibility of external funding, perhaps through a public offering.

This would be a variation on B&C's separate plans to spin off its commercial and service activities, which include Bristow Helicopters, Air UK, Steel Brothers, Kaines and hotel and leosure interests.

An autonomous company, now chirstened Bricom, will be set up later this year, initially with a maximum of 5 per cent of outside equity.

Ocean Wilsons lifts profit to £6.2m

A rise of £1.3m to £6.19m in pre-tax profit is announced by Ocean Wilsons (Holdings) for 1986. The company has a portfolio of investments in the UK and owns a tug operator in Brazil.

This year's figures have been converted at Cruzeiros 21.939 to the £, compared with 15.166 used in 1985.

At the year end net asset was 64.2p per share, against 52p, taking UK assets at market values and Brazilian assets at book values. Brazil represented 37.52p (27.67p) of the asset value.

Turnover for the year advanced from £46.26m to £69.67m. After tax £3.63m (£2.64m) the net profit was £2.56m (£2.25m). Earnings came to 6.45p (8.5p) and the dividend is held at 2.5p net with a final of 2p.

This time there was an extraordinary charge of £307,000 for additional deferred tax in Brazil.

Telecomputing rises

Telecomputing, Oxford-based developer of computer software products, raised profits from £406,800 to £452,500 pre-tax in the six months ended March 31, 1987. Turnover expanded by £300,000 to £1.7m.

After tax of £132,000 (£58,000) earnings worked through at 6.73p (7.33p). The interim dividend is a same-again 0.65p net per 10p share.

Waste Management Inc (waste management services) has been given a Stock Exchange listing after an introduction by Merrill Lynch. The Illinois-based company is already listed on the New York, Tokyo and Australian Stock Exchanges and produced a 60 per cent rise in pre-tax profits to US$507.3m (£308.9m) in 1986, on turnover of $2.02bn ($1.63bn).

UK ECONOMIC INDICATORS

ECONOMIC ACTIVITY—Indices of industrial production, manufacturing output (1980=100); engineering orders (1980=100); retail sales volume (1980=100); retail sales value (1980=100); registered unemployment (excluding school leavers) and unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed	Vacs.
1986							
1st qtr.	108.1	102.6	105	119.3	146.0	3,171	168.5
2nd qtr.	109.2	103.5	105	121.3	154.0	3,203	175.6
3rd qtr.	110.8	104.8	106	123.7	158.7	3,202	200.2
4th qtr.	110.7	107.1	111	128.5	194.3	3,141	213.0
October	110.9	106.6	108	125.0	168.5	3,160	212.8
November	111.0	107.2	110	127.8	183.9	3,145	215.2
December	110.2	107.4	114	136.7	224.9	3,119	210.0
1987							
1st qtr.	112.2	106.9		125.4	157.0	3,073	210.4
January	110.9	105.3	114	123.6	158.4	3,114	210.3
February	112.6	107.6	106	127.0	154.5	3,066	207.1
March	113.1	107.9		125.5	157.8	3,040	210.6
April				130.3		3,020	213.9

OUTPUT—By market sector; consumer goods, investment goods, intermediate goods (materials and fuels); engineering output, metal manufacture, textiles, leather and clothing (1980=100); housing starts (000s, monthly average).

	Cnsmer. goods	Invest. goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.	Housg. starts*
1985							
4th qtr.	103.8	102.7	113.4	103.2	112.6	103.3	15.6
1986							
1st qtr.	103.0	101.6	115.4	101.5	110.3	102.8	14.2
2nd qtr.	104.5	100.5	115.4	102.0	110.1	103.5	19.8
3rd qtr.	106.3	101.3	117.4	103.2	107.8	102.3	18.9
4th qtr.	107.8	102.7	115.8	105.2	115.8	104.0	15.3
September	106.4	102.1	116.8	104.0	108.0	102.0	19.4
October	106.8	102.7	116.6	105.0	113.0	104.0	19.3
November	109.0	102.4	116.1	105.6	117.6	106.0	15.8
December	107.6	102.9	114.8	106.0	118.0	102.0	10.8
1987							
1st qtr.	106.8	103.2	118.8	104.9	117.2	104.3	16.8
January	105.8	102.5	117.1	104.0	106.0	104.0	12.4
February	107.1	103.1	119.6	105.0	125.0	104.0	18.5
March	107.5	104.1	119.8	106.0	120.0	105.0	19.5

EXTERNAL TRADE—Indices of export and import volume (1980=100); viable balance; current balance (£m); oil balance (£m); terms of trade (1980=100); official reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade	Reserve US$bn*
1986							
1st qtr.	117.5	124.9	−1,227	+682	+1,899	101.0	18.75
2nd qtr.	121.9	128.8	−1,551	− 94	+772	102.6	19.29
3rd qtr.	122.6	128.5	−2,873	−931	+646	103.1	20.14
4th qtr.	130.5	143.4	−2,002	−756	+848	100.8	21.97
September	128.2	139.2	−531	−184	+258	102.3	22.43
October	127.0	139.6	−715	−100	+228	101.5	21.99
November	132.8	146.7	−1,000	−384	+354	100.9	22.01
December	131.6	143.9	−887	−272	+266	100.1	21.92
1987							
1st qtr.	131.6	133.2	−1,125	+665	+1,164	100.5	23.75
January	124.6	131.4	−517	+ 88	+383	100.2	21.95
February	138.4	138.0	−202	+398	+328	100.4	22.26
March	126.9	130.2	−417	+183	+454	100.8	27.04
April	130.5	137.1	−504	− 96	+419	102.4	29.81
May							34.68

FINANCIAL—Money supply M0, M1 and M3 (three months' growth at annual rate), bank sterling lending to private sector; building societies' net inflow; HP†, new credit; all seasonally adjusted. Clearing Bank base rate (end period).

	M0 %	M1 %	M3 %	Bank lending £m	BS inflow £m	HP lending† £m	Base rate %
1986							
1st qtr.	4.1	21.4	19.3	+6,293	2,229	7,375	11.50
2nd qtr.	3.1	25.9	27.3	+6,455	1,433	7,739	10.00
3rd qtr.	5.9	30.3	15.4	+6,996	168	8,223	10.00
4th qtr.	7.6	15.3	14.1	+10,531	2,314	8,178	11.00
September	6.6	34.3	17.8	+896	−671	2,670	10.00
October	6.3	19.1	14.5	+3,488	1,951	2,759	11.00
November	6.4	23.4	19.0	+3,847	160	2,635	11.00
December	10.1	0.6	9.1	+3,196	703	2,784	11.00
1987							
1st qtr.	1.2	20.6	20.1	+6,567	1,475	8,331	10.00
January	7.7	18.0	13.5	+1,690	456	2,835	11.00
February	0.1	10.8	17.8	+2,878	472	2,948	11.00
March	−3.8	32.7	29.4	+1,990	547	3,238	10.00
April	5.8	20.9	33.1	+1,522	727		9.50
May							9.00

INFLATION—Indices of earnings (Jan 1980=100); basic materials and fuels, wholesale prices of manufactured products (1980=100); retail prices and food prices (Jan 1987=100); Reuters commodity index (Sept 1931=100); trade weighted value of sterling (1975=100).

	Earnings*	Basic matls.*	Whsale. mnfg.*	RPI*	Foods*	Reuters* cmdty.	Sterling
1986							
1st qtr.	179.1	132.4	143.4	96.5	96.9	1,825	75.1
2nd qtr.	184.0	125.8	145.7	97.8	98.7	1,714	76.1
3rd qtr.	187.4	120.8	146.3	97.9	98.3	1,464	71.9
4th qtr.	191.0	127.4	147.4	99.1	98.3	1,605	68.2
September	186.8	122.4	146.7	98.3	98.3	1,507	70.4
October	188.3	124.3	147.0	98.5	98.1	1,578	67.8
November	191.2	127.5	147.4	99.3	98.1	1,612	68.5
December	193.4	130.4	147.9	99.6	98.8	1,633	68.4
1987							
1st qtr	192.1	130.0	149.2	100.3	100.5	1,580	68.9
January	190.4	131.9	148.8	100.0	100.0	1,603	68.6
February	191.2	129.6	149.3	100.4	100.7	1,601	69.0
March	194.8	128.4	149.7	100.6	100.7	1,539	71.9
April		128.7	150.5	101.8	101.6	1,554	72.4
May						1,612	73.3

* Not seasonally adjusted.
† From January 1986 includes amounts outstanding on credit cards.

UK COMPANY NEWS

US publisher in bid for Associated Book

BY RAYMOND SNODDY

A MAJOR American publisher is making a takeover bid for Associated Book Publishers, one of Britain's largest independent publishing groups.

The bid is believed to value the company, whose imprints include Methuen, Routledge & Kegan Paul and Sweet & Maxwell, at more than £100m.

It is the latest manifestation of the increasing internationalising of publishing and follows the purchase last month of Chatto, Virago, Bodley Head and Jonathan Cape by Random House of the US.

ABP said yesterday the board had been informed that the company's largest shareholder, the Eyre Family Trust, accounting for 36.65 per cent of the shares had been approached.

The approach "may lead to an offer for the company at a price in cash substantially higher than the current market price,' the company said.

Before the announcement ABP was capitalised at about £60m.

Within half an hour of the announcement the ordinary shares, which had been trading at 275p, rose to 400p. During the day the company received several additional expressions of interest from British publishers.

The company refused to identify the US bidder yesterday but it is clear that the American company has been expressing an interest in ABP for the past two years.

"It was inevitable given the highly charged atmosphere that other companies should be interested in ABP, particularly for its strong international base," Mr Michael Turner, deputy chairman and president of the Publishers' Association, said.

The family trust, it is believed, is not yet formally committed to the offer and has asked the board to make a recommendation by next week.

The rest of ABP's shares are held by a wide range of institutions with Pruential Assurance the largest with less than 5 per cent.

There is now likely to be intense interest in the future of the company perhaps best known for its legal and scientific publishing expertise.

The Bahamas-based family trust set up to benefit the seven grandchildren of Sir Oliver Crosthwaite Eyre had always been seen as an effective barrier to takeover.

A group subsidiary, Eyre and Spottiswoode (Publishers), produces the authorised version of The Bible and the Eyre family connection goes back to 1769.

One reason for yesterday's announcement was the fact that ABP was in the middle of finalising an £11m rights issue to reduce debt and provide a modest war chest for future takeovers.

Trading in the nil paid shares began on May20 and the price has already soared from 32p to 150p.

Analysts are predicting pre-tax profits of around £10m for this year and £12m next.

Tranwood makes £10m cash call to fund expansion

BY ALICE RAWSTHORN

Mr Nick Oppenheim's Tranwood yesterday announced details of its expansion into the financial services sector through the acquisition of Ifincorp, Earl, the corporate finance concern controlled by Mr Peter Earl, and Ariel, the agency broker.

In order to finance the acquisitions and to provide capital for the development of both these new interests and Tranwood's existing hosiery *manufacturing business*, the group is staging a rights issue to raise £10.2m. In the rights shareholders can subscribe for one unit—composed of 10 new shares and three warrants, each for a share—for 400p for every 20 shares held. Tranwood's shares rose by 6p to 62p yesterday.

Ifincorp, Earl was founded two years ago by Mr Earl and a Luxembourg venture capital company. It has since been involved in two unsuccessful bids: by putting together the Demerger One consortium which failed to take over Extel and Demerger Two which was routed in its bid for London and Northern.

The company has, however, built up a corporate finance business which made pre-tax profits of £109,000 on turnover of £492,000 last year. Tranwood will pay for Ifincorp, Earl with 11.5m shares and £175,000 of convertible loan stock. The vendors have pledged to take up their rights. On yesterday's Tranwood share price Ifincorp, Earl is valued at £7.13m.

Mr Earl and two other directors will join the Tranwood board on completion.

Ariel is an agency stockbroker dealing for institutional clients. Tranwood will finance the acquisition with the issue of 860,000 shares, valued at £533,200 yesterday.

Ever since he became chairman of Tranwood early last year Mr Oppenheim has looked for opportunities to diversify into the financial services field.

Allied-Lyons to strengthen Bacardi link

Hiram Walker, the Canadian drinks business acquired by *Allied-Lyons* last year, said yesterday that it was hoping to strengthen its links with Bacardi, the white rum business in which it already holds a 12 per cent stake.

Mr Cliff Hatch, Hiram's chief executive, said: "We are examining other situations around the world with Bacardi. These include production and distribution agreements and facilities of one sort or another."

Blue Arrow stake in Fleetlease (UK)

Blue Arrow, Britain's largest employment agency, has acquired a 39 per cent stake in Fleetlease (UK), a car contract hire business, for just over £200,000.

Fleetlease has acquired 74 per cent of the contract hire business of the Gowring Group. The latter will take a 20 per cent stake in Fleetlease, with the balance divided between Blue Arrow and Mr Peter *Scott*.

P & O bids £14.4m for Australian minority

BY TERRY POVEY

Peninsular and Oriental Steam Navigation has made a A$33m (£14.4m) offer to buy out minority shareholders from its quoted Australian subsidiary.

The offer for P&O Australian is for two P&O shares for every seven of POA and there is a cash alternative of A$4.25 a share. Brokers believe that this is the first time that shares in a UK quoted company have been *offered* in exchange for *that of an Australian* company.

At present P&O owns 78 per cent of its Australian unit, which the offer values at about A$150m. The bid is conditional on receiving approval of Australia's Foreign Investment Review Board. Although P&O *has undertaken to* try and get its shares listed in Australia this is not a condition of the offer.

With full control of its Australian unit, P&O would have a free hand with regard to the assets of POA. Sir *Jeffrey Sterling, P&O's chairman*, said that overseas listings for the shipping, property development and construction group in the world's financial centres was planned to "create a wider market for the company's stock."

The share offer for POA has been pitched at 16.6 times its earnings for 1986 and at a premium of 54 per cent to net asset value. Sir Jeffrey said that P&O's "acquisition of an additional 3 per cent stake in POA and the recent relaxation of the FIRB guidelines has led us to bring forward our plans for further expansion of our interests in the Australian region."

Priest Marians abandons GRA

By Terry Povey

Priest Marians yesterday announced the abandoning of bid talks with GRA Group, the property company attempting to develop Harringay greyhound racing stadium in North London.

Just over a week ago Harringey Council injuncted GRA, formerly known as the Greyhound Racing Association and run today by the Kerman family, from completing the sale of the 20-acre site to J. Sainsbury for a superstore. Priest Marians commented yesterday that the likely delay was unacceptable and that its mooted takeover offer for GRA was "off

GRA's shares closed down 1p at 114p although 1.8m shares changed hands during the day.

Camotech asks SE to look into share price movement

BY DAVID WALLER

Camotech, the air cleaner manufacturer, yesterday asked the Stock Exchange to investigate the recent sharp movement in its share price.

The shares moved from 73p last Wednesday to 131p this Tuesday lunchtime, when they were suspended at the company's request. At this price th ecompany is capitalised at £6.5m.

Mr Peter Cormack, Camotech's chairman and chief executive, said negotiations had been under way for a month which "may or may not lead to the acquisition of a company larger than Camotech in terms of profits and assets."

"I feel quite strongly about the matter," Mr Cormack said. "Apart from the fact that we were *in negotiations with this* company, there was no reason for a price rise of that magnitude. I can only assume that news of the proposed acquisition got into the wrong hands."

He added that discussions with the target company were still under way and an announcement "one way or another" could be expected soon.

The Stock Exchange said that it was standard practice to look into sharp price movements, whether the company asked for an investigation or not.

Public Works Loan Board rates

Effective June 3

Years	by EIP†	A‡	at maturity§	by EIP†	A‡	at maturity§
1	—	—	8¾	—	—	9¼
Over 1 up to 2	8¾	8¾	8¾	9¼	9¼	9¼
Over 2 up to 3	8¾	8¾	8¾	9⅜	9⅜	9⅜
Over 3 up to 4	8¾	8¾	8¾	9⅜	9⅜	9⅜
Over 4 up to 5	8¾	8¾	8¾	9⅜	9⅜	9⅜
Over 5 up to 6	8¾	8¾	8¾	9½	9½	9½
Over 6 up to 7	8¾	8¾	8¾	9½	9½	9½
Over 7 up to 8	8¾	8¾	8⅞	9½	9½	9½
Over 8 up to 9	8¾	8¾	9	9½	9½	9½
Over 9 up to 10	8¾	8¾	9	9½	9½	9½
Over 10 up to 15	8⅞	9	9	9½	9½	9½
Over 15 up to 25	9	9	9	9½	9½	9½
Over 25	9	9	9	9½	9½	9½

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

COMPANY NEWS IN BRIEF

OVERSEAS STRATEGIC Investments increased its stake in Office and Electronic Machines to 633,500 shares as at May 21, it was announced yesterday, thus increasing its stake to 10.33 per cent.

QUARTO GROUP (USM quote book package publisher): Mr Laurence Orbach, chairman, told shareholders at the AGM that the flat UK market was being more than offset by a very buoyant North American market together with strong performances in Europe and Australia.

YEARLING BONDS totalling £1.5m at 9 per cent, redeemable on June 8 1988, have been issued by the following local authorities: Alnwick District QUARTO GROUP (USM quoted Council £0.25m; Allerdale Dis- (City of) District Council £1m.

FALCON INDUSTRIES, the building and plastics group, is paying £1.35m for the hire stock of relocatable buildings and leasehold premises from Atkinson Workspace and W. A. Atkinson. Consideration is being met p the issue of 1.75m new ordinary shares in Falcon to Workspace and Atkinson. These shares will be acquired by Samuel Montagu, which will offer them to Falcon holders at 77p per share on the basis of two new shares for every 35 ordinary held.

LONRHO has reached conditional agreement to acquire the 13.81 per cent of **Willoughby's** consolidated it does not already own. Terms are 250p cash for every 50p stock unit. The recommended offer, which will not be increased, is conditional upon the acquisitions by the *company of Corsyn Consolidated* Mines and Corsyn Investments (Proprietary).

BENTALLS: Mr Edward Bentall, chairman, told AGM that "although May had not been such a buoyant month for retail sales, trading profits for the *first four months showed* a substantial increase on last year. He was confident of a good first half trading result.

TRILION: Charterhall has increased its holding from 25.06 per cent to 26.53 per cent by the acquisition in the market of 420,000 *Trilion* shares. It now holds 7.56m shares.

BENLOX Holdings: Andrew Millar, chairman, has bought a further 350,000 ordinary shares and now holds 25.45 per cent of the company's fully diluted voting capital.

LYONS IRISH HOLDINGS, investment holding company, raised pre-tax profits from I£4.25m to I£4.71m (£4.26m) in the 53 weeks ended March 7, 1987. With earnings per 25p share ahead at 26.4p (24.7p), *the dividend* is up 1.5p to 9p with a final of 5.8p. The company is a subsidiary of Lyons Irish Enterprises of which Allied-Lyons is the ultimate holding company.

Authority Investments (*banking and property* services), yesterday announced the acquisition of 51 per cent of Home & Capital for £150,000 in cash. H&C currently manages residential properties worth £15m and generated gross fee income of £40,000 in the last *financial year*.

UK COMPANY NEWS

Yule Catto launches agreed £20m takeover for Reabrook

BY CLAY HARRIS

Yule Catto yesterday won **Reabrook Holdings'** agreement to a shares-and-cash takeover offer which values the aerosol and cleaning products group at nearly £20m.

The chemicals, building products and plantations group already holds 21 per cent of Reabrook. The two companies had been in talks for several weeks.

If the acquisition succeeds, chemicals will account for 75 per cent of Yule's earnings. It is unlikely to extend its exposure to the sector beyond this level, according to Mr Alex Walker, chief executive.

Reabrook's chemical divisions include Arrow and Greenhill, which make and distribute cleaning, maintenance and hygiene products, and Nielsen, a supplier to the motor and transport industry. Brencliffe makes industrial polishing cloths and household textile products.

Yule intends to use Reabrook, which sells direct to garages and janitorial departments, as a springboard to move closer to consumer products. At present, Yule makes synthetic resins and emulsions and natural rubber lattices.

The agreed offer provides consolation for Yule, which earlier this year failed to win a £28m contested bid for Barrow Hepburn, the chemicals and engineering group, after BTP emerged as a successful white knight.

Reabrook will operate as a separate unit under its existing management. "It's not in the same situation as Barrow, which needed sorting out immediately," Mr Walker said.

It achieved pre-tax profits of £1.21m on sales of £15.1m in 1986, compared with Yule's £10.8m pre-tax on turnover of £122.8m.

Both companies yesterday reported improvements in the first four months of the current year with Yule's pre-tax profit nearly 18 per cent ahead at £3.85m and Reabrook's more than four times higher at £544,000.

Yule forecast at 41 per cent increase in total dividends this year with an interim of 5p (3p) and final of 7p (5.5p).

For every 34 Reabrook shares, Yule forecast a 41 per cent plus £43.32 in cash. With Yule up 27p to 509p yesterday, the offer values Reabrook shares at 262p, against a market price 25p higher at 259p.

There is a cash alternative of 265p. Shareholders will also be able to elect for additional shares in lieu of cash in the main offer, on the basis of one share for each 482p.

Yule paid an average of 120p for its Reabrook shares, which it bought in several tranches since last September. It was advised by Morgan Grenfell, and Reabrook by Robert Fleming.

Pleasurama pays £5m for hotels and discos

Pleasurama is paying some £5m in cash and shares for three hotels and two discotheques. Mr Warren Tudenham, managing director, said this continued the policy of strengthening the hotel and leisure divisions which were seen as major growth areas for the group.

The hotels are in Cheshire and Shropshire and will add 200 rooms bringing the total within the group to 3,000.

They are Alvaston Hall (costing £1.18m) with 90 rooms, and the Wild Boar with 30 and being extended to 50, both in Cheshire; and the Albrighton in New Shrewsbury, with 23 being extended to 60.

The discos are in Cheltenham and Yate, Bristol.

Beefeater at record but warns on current year

HELPED BY additional sales of Beefeater Gin to the US and a reduction in raw material costs, **James Burrough** achieved a record pre-tax profit of £9.39m for the year ended February 28 1987, a 6 per cent lift over the previous £8.87m.

The company, whose shares are traded in the market made by Granville, distills and markets gin and vodka, and produces food products.

The additional sales to the US in January were made as a precaution against a failure to settle the EEC/US grain dispute, the directors stated.

In the current year it would be difficult to match the 1986-87 record profit, they pointed out. This was due to a combination of the decline in the dollar, the distortion of sales to the US in the early part of the year, and the continued pressures of anti-alcohol lobbying.

Developing sales of gin remained the priority, but they were seeking new opportiunities to capitalise on existing strengths in the drinks and fine food market sectors.

Turnover in 1986-87 came to £62.7m (£61.5m) including duty and to £41.79m (£39.9m) excluding duty. Net profit attributable worked through at £6.49m (£5.53m) for earnings of 44.1p (35.6p), and the final dividend is 9.25p for a net total of 13.25p (12p).

Sales of gin progressed in a number of world markets, but North America continued to be difficult and the exchange rate to the dollar turned against the company.

Elsenham Quality Foods had an excellent year with a sales increase of 29 per cent and pre-tax profit of £208,000.

Plantation Trust rights and 40% jump in assets

Plantation Trust coupled yesterday's preliminary results with the announcement of a rights issue to raise £2.5m net.

Net asset value at the March 31 year end showed an increase of 39.5 per cent from 78.59p to 109.66p reflecting in part the impact on plantation shares of improvements in certain commodity prices and from a greater market recognition of underlying values. By May 26, 1987, the asset value had risen to 117.7p per share.

Total income for the year was down from £569,719 to £425,324 and pre-tax profits from £186,274 to £64,752. Tax took £28,308 (£75,000) leaving £36,444 (£111,274) for earnings of 0.51p (1.59p) for the 0.25p (0.75p) dividend.

The rights, subject to a special resolution being passed at an egm, is to be offered to holders of convertible stock and warrants as well as to ordinary holders on the following basis: for every 40 existing ordinary, 9 new ordinary; for every £42 nominal of convertible, 9 new ordinary; for every 40 warrants, 9 new ordinary.

The issue will be made to the above holders on register at close of business at June 22 at 95p per share.

Should the special resolution not be passed at the egm, the rights will be offered to ordinary shareholders on the basis of one new ordinary for every three existing ordinary held. The issue is being underwritten by Noble Grossart.

Improving trend shown by Rolfe & Nolan

Trading profits of **Rolfe & Nolan Computer Services** edged ahead by just £27,000 to £595,000 for 1986-87 but after taking account of lower charges for both depreciation and exceptional items pre-tax results pushed ahead strongly to £290,000.

Although that was an improvement of £239,000 over the previous year's depressed £51,000 it was still a long way short of the £571,000 achieved for 1983-84.

Turnover for the past year, to February 28, declined from £2.91m to £2.21m — the USM company is a specialist supplier of futures and options systems and services.

The shortfall in turnover reflected the company's withdrawal from commercial services early in 1986.

Looking ahead the directors said market activity was currently buoyant. They added that two in-house licence sales had been made and installed since the beginning of the year, which had started well.

Depreciation for 1986-87 accounted for £257,000 (£316,000) and exceptional items for £48,000 (£201,000). The latter represented additional depreciation resulting from a change in accounting.

After tax of £115,000 (£13,000) earnings worked through at 6.8p (1.5p). A final dividend of 2p raises the total by 1p to 3p.

There was an extraordinary debit this time of £96,000 in connection with the relocation to larger premises.

The directors said the company was in a strong financial position. Excluding investments in finance leases of £105,000, cash and short-term deposits totalled £593,000 (£140,000) at year end.

HIGHLAND PARTICIPANTS (oil exploration): Turnover £870,405 (£1.25m) and pre-tax profits £693,443 (£617,097) for 1986. Tax £241,364 (£287,173) and extraordinary debit £392,600 (nil). Company remains ungeared with surplus cash resources.

UK COMPANY NEWS

Enlarged Hunter Saphir advances 27% to £2.73m

Hunter Saphir, the fast-growing food manufacturing and distribution group, yesterday unveiled a 27 per cent increase in pre-tax profits to £2.73m on turnover which rose by 22 per cent to £89.62m in its last financial year.

In January, Hunter acquired four food businesses from S and W Berisford, the food and commodities trading group, which is now a minority shareholder in the company.

These acquisitions, together with that of Emil Tissot Foods, have changed the balance of its activities. Hitherto, Hunter was predominantly concerned with distribution and fresh produce; packaged foods and food manufacturing are now more important.

Since the acquisition Hunter has been restructured into four divisions: distribution, packaged foods, food manufacturing and produce.

Mr Nicholas Saphir, chairman, said the financial integration of the new businesses had been completed.

The group now intends to concentrate on injecting its distribution and product development resources into the new areas of activity.

The original businesses all fared well during the year to February 28. Hunter Produce succeeded in increasing its market share within a price pressured market, while Saphir Prepared Foods moved into profit for the first time.

Earnings per share increased to 10.34p (7.66p) and the board proposes to pay a final dividend of 2.25p making 3.3p (2.5p) for the full year.

Mr Saphir said that the pattern of trading had remained buoyant thus far in the present year. Since the year end, the distribution division had won a contract from Tesco and had increased its work for J. Sainsbury.

Hunter was now intent on making further acquisitions within related areas of activity. Mr Saphir said that it aimed to expand within "value added niches" of the food manufacturing market and to augment its distribution activities.

The company plans to graduate from the USM to the main stock market in the course ofthe year.

● comment

The Hunter Saphir of today is a very different animal from the small distribution and produce business which joined the USM three years ago. Delivering food and supplying fruit and vegetables could be a volatile affair for a small family firm, as the difficulties of 1984-85 demonstrated. By contrast this broadly based food business seems much more stable and quite capable of surviving a sudden slump in any individual area of activity. Moreover Hunter has proved to be adept at gleaning organic growth from its established interests. The core businesses alone should muster £3.3m or so this year, while the group as a whole could claim £3.75m. The prospective p/e of 21, on yesterday's shares which rose by 7p to 299p, already anticipates the changes within the company but is justified by the long term growth prospects.

Managers buy out Thorn EMI division

BY TERRY DODSWORTH

Thorn EMI, the UK electronics group, is planning to sell its measurement equipment interests to a group of senior managers in a further move to rationalise its technology division.

The disposal, for an undisclosed sum, follows the Thorn EMI policy of concentrating its activities in the technology division on selected business areas. The group is attempting to develop operations in defence and other areas of the electronics industry which will be of sufficient size to enable it to compete more effectively in world markets.

In Thorn's financial year to March 1986, the sales of the measurement business amounted to £35m. Thorn would not give an earnings figure, but the company is believed to be profitable.

The management buy-out team will be led by Mr Bill Goldfinch, the present managing director of the measurement division. Among the equipment sold by the operations being acquired are general and special-purpose electrical test and measurement instruments, and a range of portable instruments and large high-voltage test-sets produced in the US.

Mersey Docks to bear land tribunal costs

The Mersey Docks and Harbour Company, which controls the port of Liverpool, has decided that costs arising from the land tribunal hearing over South Docks land will be borne by the company itself instead of being deducted from the balance of the compensation.

This means that the £106,541 remaining compensation for the land, which was compulsorily acquired by the Merseyside Development Corporation, will become available to stockholders.

With the additional sum of £140,929 from land sales, a 1p payment will be made to holders of redeemable subordinated unsecured loan stock on June 26.

Under the terms of the loan stock deed, said the board, the payment would not normally be made until 1988.

On March 20 the tribunal decided the purchase price for the land should be £3.09m—a result described by Mersey as disappointing.

BOARD MEETINGS

TODAY

Interims: Anglia Secured Homes, Beatrix Mines, Charles Church Developments, Dwyer, Grootvlei Proprietary Mines, Lonrho, Marievale Consolidated Mines, Miss Sam, St Helena Gold Mines, Schroder Global Trust, Stilfontein Gold Mining, West Rand Consolidated Mines.

Finals: Buffelsfontein Gold Mining, Century Oils, Electrocomponents, Hill Ergonom, Hill Samuel, Holden Hydroman, Imry International, Jarvis Porter, Northern Securities Trust, Phoenix Timber, Smith New Court.

FUTURE DATES

Interims—	
Hardanger Properties	June 23
KLP	June 30
McLeod Russel	June 9
Westland	June 11
Finals—	
Alpine Soft Drinks	June 12
[illegible]	June 16
Business Mortgages Trust	June 10
Chamberlain Phipps	June 15
Great Portland Estates	June 10
Harrisons Malaysian Plantations	June 8
Hazlewood Foods	June 8
Magnet and Southerns	June 17
Northumbrian Fine Foods	June 8
Oxford Instruments	June 16
Scapa	June 18

Sangers buys Monument Photographic

By Gary Evans

USM-quoted **Sangers Photographics** is paying some £3.1m in shares to acquire Monument Photographic Laboratories, as part of its strategy to broaden its range of specialist services in the commercial and industrial photographic sector.

Consideration is to be met by the issue of 2.37m new Sangers ordinary shares (15.7 per cent of the enlarged capital).

As part of the acquisition arrangements, 1.21m new Sangers ordinary shares are being conditionally placed with institutions at 138p per share and 706,095 of the shares are also being offered to existing Sangers holders by way of an open offer at the placing price.

Monument is a major supplier of film developing and processing services principally to over 650 estate agents in Oxfordshire and surrounding counties.

In the 10 months ended February 28 1987, Monument made pre-tax profits of £387,178 on turnover of £962,935, against £149,849 profits and £870,024 turnover in the 12 months to April 30, 1986.

Hazlewood Foods pays £7.4m for MA Craven

BY PHILIP COGGAN

Hazlewood Foods, the acquisitive food group, has bought M. A. Craven, a sugar and chocolate confectionery manufacturer, for £7.4m.

Craven, which is based in York, made pre-tax profits of £645,000 on turnover of £7.64m in 1986. The initial consideration will be £5.84m, made up of £2m worth of shares, and £3.84m in cash, of which not more than £1.5m may be satisfied, at the option of the vendors, by the issue of unsecured loan notes. There will be a further payment of £1.5m in 12 months' time.

Hazlewood has a fast-growing snack foods division, first established when the group bought Bard, the nuts and popcorn company, in December 1985. Already this year, it has bought Cadec, a nuts and fruit company, Associated Biscuits and Creamery Fare Continental Ice Cream. M. A. Craven is its 28th acquisition since April 1985.

Mid Southern tender

Mid Southern Water is offering for sale by tender £7m 7 per cent redeemable preference stock 1997 at a minimum price of par for every £100 of stock. At the minimum offer price the yield is 9.589 per cent, taking into account the associated tax credit at the current rate, compared with a gross redemption yield of 9 per cent on an equivalent gilt-edged issue.

A deposit of £10 per £100 nominal stock applied for must accompany each tender, which must be for a minimum £100 stock and above that in multiples of £100. The balance of the purchase price is due not later than noon on Friday June 26 1987.

The present issue is being made to provide for redemption at par on June 30 1987 of the £7m 9 per cent redeemable preference stock 1987.

Dealings are expected to commence on Wednesday June 10; brokers to the offer are Seymour Pierce & Co.

SUNLEIGH Electronics has purchased a further 29,000 shares (0.22 per cent) in Dale Electric, being 20,000 at 113p and 9,000 at 111p. This raises its holding to 1.15m shares (8.56 per cent).

COMMODITIES AND AGRICULTURE

Chinese buying boosts bismuth

By Stefan Wagstyl

THE PRICE of bismuth, a metal used in alloys, steelmaking and pharmaceuticals, has risen by 50 per cent since April.

The increase, which mirrors sharp rises in the prices of other minor metals, including mercury and cadmium, has been triggered by a series of purchases by China, which was previously an important exporter of bismuth, following on big orders from the Soviet Union and coinciding with strong demand in several Western countries.

This unexpected surge in buying has left several trading companies short of material and prompted some producers to try to push prices higher by withholding metal from the spot market.

Bismuth is produced as a by-product of lead by mining and smelting companies in Peru, Mexico, Australia, Canada and elsewhere. In addition, the metal is refined from bismuth-rich concentrates by Sidech, a Belgian company, and by several Japanese companies. Output, of about 3,000 tonnes a year, has been fairly static in recent years, but cuts in lead smelting capacity has reduced the producers' ability to meet sudden increases in demand.

The metal has traded at around $2 a pound since it fell from a peak of $6.50 when it soared on large Soviet purchases.

Traders said the Soviet Union bought large amounts of metal again last year, without having much impact on prices. China made a series of purchases this year.

Rains delay Pakistan cotton sowing

RAINS and hailstorms for the past fortnight have delayed cotton sowing in Pakistan's southern province of Sind, a farming community leader said, reports Reuter from Karachi.

Sind Chamber of Agriculture general secretary, Mr Mohammad Isa Abbasi, said in a statement the province, which accounts for over 20 per cent of Pakistan's cotton production, has suffered heavily as sowed cotton was wiped out twice by rain and hailstorms.

Many farmers are likely to change to some other crop because late cotton sowing could mean a lower yield, he said.

Authorities have set a production target of 7.7m bales (375 lbs each) for the 1987-88 (September/August) cotton crop compared with an estimated record 1986-87 production of 7.6m bales.

Zinc stocks down

WORLD CLOSING stocks of primary zinc at smelting, excluding Eastern Bloc countries, fell to 427,000 tonnes in April from 432,200 in March, provisional European Zinc Institute figures show, reports Reuter from Eindhoven.

This compares with stocks of 376,100 in April 1986.

April closing stocks of primary Zinc at European smelters, excluding Yugoslavia, fell to 146,900 tonnes from 151,400 in March, and compared with 120,800 in April 1986.

Total world zinc production, excluding Eastern Bloc countries, fell to 418,300 tonnes in April from 429,000 in March. April 1986 production was 417,000 tonnes.

European Zinc production, including estimates for Yugoslavia, fell to 168,900 tonnes in April

London plans automated trade for white sugar

BY DAVID BLACKWELL

THE LONDON Commodity Exchange is set to revive its futures contract for white sugar—and dealing will be through the exchange's first automated trading system.

Th eexchange hopes to win back white sugar business from Paris, which attracts up to 70 per cent of its trade from London. Paris trades between 1,000 and 2,000 lots of 50 tonnes a day, worth, at current prices, between $9m and $18m.

The futures market committee of the London Sugar Futures Market is meeting at lunchtime today to put the final touches to the rules for its contract.

Mr John Payne, vice-chairman of the committee, hopes the contract will be up and running by the end of next month for the October delivery date. October marks the start of the European sugar beet harvest.

The LCE's existing white sugar contract, which has been suspended for more than a year, used to be traded on the same floor as the raw sugar contract. Raw sugar is trading well on the LCE's new floor at Commodity Quay, averaging 2,500 to 3,000 lots a day.

NO 19—8/8½

White sugar can be refined from both raw cane sugar and from beet sugar—the basis of the European sugar industry—and Mr Payne feels that London can attract a lot of the business now going through Paris.

He describes the costs of trading through Paris as "very high. We ought to be doing that business on our own doorstep."

Commissions on the LCE contract should be much cheaper as the automated trading system cuts out the manpower costs of floor trading.

The contract will be for 50 tonnes and priced in dollars. The conditions of delivery are likely to match closely the terms in Paris, so that trades can be switched between markets.

The LCE has been working on the development of the automated trading system with the International Commodities Clearing House in London. Based on the system used in New Zealand for both wool and financial futures trading, it will provide traders with real-time prices and give them the ability to buy and sell at the touch of a button.

The LCE is keen to have such a system running, so that it will have a proven system ready to switch all business to automation if the markets want to move away from open entry trading.

Mr Saxon Tate, chairman of the LCE, said yesterday it was anyone's guess how quickly automation would catch on in commodities markets.

"But London should have the latest technology—and it should be visible," he said. Adding further contracts to the system would be "extraordinarily cheap" and made the introduction of low volume contracts a financial possibility, he added.

SUGAR VALUES on the world market are likely to continue under pressure unless strong physical demand materialises, according to E. D. and F. Man, the London trader.

"In spite of the widely accepted prognosis about a world supply/demand balance, the sugar market has lost a great deal of its ebullience," Man says in its latest Sugar Situation report.

It says offtake in this crop year has been "disappointing from China, non-existent from Venezuela and apparently finished in the case of the USSR."

Preliminary estimates for the 1987/88 campaign once again indicate a statistical deficit, the report says, "although not of sufficient size to justify much excitement."

Fresh twist in 'lamb war'

BRITAIN TOOK the European Community to court yesterday to defend its sheepmeat exports in a new twist to the long-running "lamb war" between Britain and France, reports Reutuer from Luxembourg.

Britain has appealed to the Luxemoburg-based European Court of Justice to overturn EC rules which it says impose unfair costs on British farmers exporting ewes, forcing up prices and cutting its ewe exports to the Community by 50 per cent.

It also complains that in drawing up the rules, the EC Commission was acting unfairly to defend French farmers against British competition.

The case centres on the payment of so-called slaughter premiums to British sheep farmers aimed at guaranteeing prices when market prices fall below a certain level. If the sheepmeat is subsequently exported, farmers must pay back the premium.

However, in the case of ewes, no slaughter premium is paid, but exporters must still pay back the equivalent amount, as though a premium had actually been paid.

The Commission says even though ewes do not receive a slaughter premium, they benefit from a kind of cross-subsidy from premiums paid for lamb.

Cheaper exports of ewes then disrupt the market and present unfair competition for French shep farmers, it says.

However, according to a court paper summing up the British case: "The Commission's purpose was at all times to restrict the level of ewe exports from Britain to France to a specific level."

The case is the latest twist in a long-running lamb war in which French farmers, incensed by cheaper British sheepmeat exports, have overturned lorries and blocked British consignments bringing produce into France.

Israel to buy 1m tonnes of coal from Colombia

BY JUDITH MALTZ IN JERUSALEM

ISRAEL WILL purchase up to 1m tonnes of coal from Colombia within the next three years, as part of an attempt to diversify its energy sources away from South Africa.

A long-term, annually renewable contract, worth an estimated $30m (£20m) is expected to be signed this week between the two countries.

Israel's recent search for new suppliers of coal has been motivated not only by the desire to lessen dependency on South Africa for political reasons, but by the expected doubling of the country's coal consumption to 7m tonnes within the next two years.

As a result, Israel has over the past year also discussed coal purchases with Poland and China, two countries with whom it has no diplomatic relations.

The contract between Israel and Colombia, agreed on during a visit by Mr Miguel Gordillo, Colombia's Minister of Economic Development, to Jerusalem last month, provides for an initial shipment of 150,000 tonnes of coal from the El Cerrejons deposits by the end of the summer. The volume is expected to double next year and reach 450,000 tonnes by 1989.

According to Israeli energy officials, in 1990 the contract is likely to be renegotiated upwards, when a major new power station, now under construction near Ashkelon, begins operating. By then, Colombia could have become a key supplier of steam coal to Israel, they say.

Devoid of its own coal resources, Israel has always relied on imports. South Africa has traditionally provided it with half its coal needs, Australia with another third, and the US with the balance.

Although Israel purchased 100,000 tonnes of coal from Colombia several years ago, the deal was never renewed because of differences over means of payment.

The Colombians had insisted on cash, while Israel, then suffering dwindling foreign reserves, had preferred counter-trade.

Mr Ram Ron, managing director of the Israel Coal Supply Corporation, says Israel has now agreed to pay Colombia in hard currency.

At current prices, trade experts say Colombian coal will cost Israel $28 per tonne, about the same as Australian purchases.

Sweden may buy British minestone

By Maurice Samuelson

BRITISH COAL hopes to recoup losses of Scandinavian business in recent years by selling the Swedes about £40m worth of waste rock brought to the surface during mining.

The minestone, usually sold as hard core to the road building industry, would be used to fill the big disused Kockum's dock at Malmo, southern Sweden, on which Saab-Scania plans to erect a new motor vehicle asembly plant.

The contractors want to fill the Malmo dock with sand dredged from the Swedish coast. However, local environmentalists say this will ruin a valuable nature reserve.

If British Coal won the contract, it would be an ironic sequel to the little known contribution of Sweden in meeting some of Britain's coal needs during the 1984 moners' strike. On that occasion, households in Scotland were supplied with thousands of tonnes of coal dredged fro mthe bottom of Swedish lakes. The Swedes, who have no coal of their own, had deposited it there shortly after World War Two as an emergency reserve in the case of future fuel shortages.

Ghana builds on timber revival

BY PETER BLACKBURN IN ABIDJAN

BRITISH TIMBER mill equipment suppliers are playing a leading role in the revival of the Ghanaian timber industry, an important sector in the country's economic recovery programme.

British supplier Forestor, Wadkin, Stenner and Wells won a contract worth nearly $1m for sawmill and other timber processing equipment following the Ghana International Furniture and Woodworking Industry Exhibition in Accra earlier this year.

Another, even bigger, contract is close to conclusion, according to Mr Mike Visram, chairman of the British Woodworking Machinery Suppliers' Association and managing director of Forestor.

Britain's Marktrace Projects, 51 per cent owned by a Babcock International subsidiary, last March began work on a 5-year management and procurement contract for rehabilitation of the state-owned African Timber and Plywood Company, which has a 6,000 sq km concession in Samreboi.

The $30m project is financed by the Bank of Scotland and Badea (the Arab Bank for Economic Development in Africa) and involves restarting what used to be the country's biggest timber exporting company.

Timber, the country's third biggest export earner after cocoa and gold, suffered a decade of decline until 1983 because of a lack of investment in new machinery and deterioration of road, railway and port facilities.

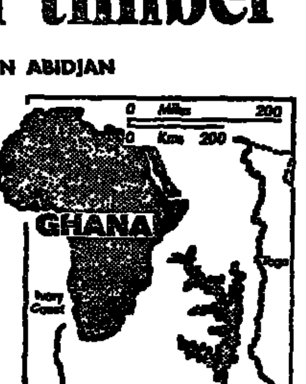
The timber industry, employing some 70,000 people, was running at only 16 per cent of installed annual capacity of 2.5m cubic metres of sawn timber and 450,000 cm of processed timber in 1983. As the result of a substantial injection of new investment exports have started to rise again rapidly reaching $55m in 1986 from a low of $12.3m in 1982. Although further growth is forecast earnings this year will still be only roughly half the record $130m achieved in 1973.

Some $140m of new investment financed mainly by the World Bank's soft loan agency, the International Development Agency, British and Canadian bilateral aid and credit lines, was pumped into the timber industry between 1984-86.

The aid was channelled mainly into the private sector and used to purchase new equipment such as log loaders, bulldozers and tipper trucks.

The British contracts show a growing trend towards local processing and development of value added exports.

The Government has already banned the export of 14 species of logs and a total log ban could be enforced within five years, according to Dr K. O. Armstrong-Mensah, the exhibition chairman and managing director of Takoradi Veneer and Lumber Company.



"This will mean more new mills and processing units requiring quality machinery," said Mr Visram.

The Government is also trying to encourage the creation of joint ventures bringing together foreign technology, machinery and financial assistance with local raw materials and labour. Procedures are being streamlined so that it should in future be possible to set up joint ventures within three months, according to Mr E. Y. Bonso, head of project development at the Ghana Investments Centre. But he pointed out that delays in the past had often been caused by agents using "unacceptable shortcuts."

Amid the general optimism over the prospects of the country's timber industry a word of warning was issued by Mr Johnny Francois, Ghana's chief conservator of forests.

The rehabilitation and development of the timber industry should be "properly managed" and accompanied by an active tree-planting programme, he said.

Speaking at the exhibition, Mr Francois pointed out that Ghana's total forest area had shrunk to 1.9m sk km from 8.2m during the past century.

Illegal felling continues, especially by cocoa farmers along the remote western border with the Ivory Coast. Forestry conservation officials lack transport to patrol forest areas adequately.

Financial constraints have led to tree planting falling to only 4,000 hectares a year from about 11,000 hectares a year in the early 1970s.

Mr Francois also called for more productive exploitation of the country's forestry resources. Although there are over 200 species of tropical hardwoods in Ghana, only 28 are seriously exploited. There are many other lesser-known species which could be profitably exploited, he said. For instance, an American client recently requested 1m broomsticks for a Takoradi-based company.

LONDON MARKETS

News that Cominco of Canada had tentatively arranged fresh peace talks with striking workers at its Kimberley/Trail operation in British Columbia brought a sharp fall in lead prices on the London Metal Exchange yesterday. Last week the Cominco workers surprised the market by voting down a tentative settlement reached between union leaders and the company's management and this had encouraged a stronger market. But those gains were wiped out yesterday by falls of £29 to £387 a tonne in the cash position and £17 to £361.50 a tonne in the three months. While the latest Cominco news was thought to have been a major influence in the fall dealers noted that the market had been looking "rather tired" and was probably due for a shake-out. They said there had been little reaction to market rumours that labour talks had broken down at Noranda's Brunswick Mining and Smelting subsidiary and that union representatives were calling for a vote to give them a strike mandate ahead of contract expiry next month.

LME prices supplied by Amalgamated Metal Trading.

ALUMINIUM

99.7% purity	Unofficial close (p.m.) $ per tonne	+ or —	High/Low
Cash	—		
3 months	1,535.5	—2	1,539/535

Official closing (am): Cash —— (——), three months 1,538 (1,530-1), settlement —— (——). Final Kerb close: 1,533-37. Turnover: 700 tonnes.

99.5% purity	£ per tonne		
Cash	890-2	+12	892/891
3 months	866-7	+2	869/863

Official closing (am): Cash 891-2 (877-8), three months 867-7.5 (864-5), settlement 892 (878). Final Kerb close: 864.5-65. Turnover: 10,575 tonnes.

COPPER

Grade A	Unoffic'l close £ per tonne	+ or —	High/Low
Cash	938-9	+9.5	946.5/946
3 months	917.5-18	+11.25	916/906

Official closing (am): Cash 946-6.5 (938-9), three months 822.5-3 (910.5-12), settlement 946.5 (939). Final Kerb close: 916-17.

Standard			
Cash	901-3	+16	—
3 months	893-5	+13	—

Official closing (am): Cash 907-10 (892-8), three months 897-900 (886-92), settlement 910 (898). US Producer prices 70.75-75 cents a pound. Total Turnover: 47,250 tonnes.

LEAD

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	386-8	—29	—
3 months	361-2	—17	377/356

Official closing (am): Cash 387-90 (419-20), three months 359-60 (379-80), settlement 390 (420). Final Kerb close: 361-2. Turnover: 13,225 tonnes. US Spot: 24-37 cents a pound.

NICKEL

	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	2637-9	+20.5	2655/2637
3 months	2660-5	+21.5	2665/2650

Official closing (am): Cash 2,646.55 (2,635-40), three months 2,658-62 (2,660-1), settlement 2,655 (2,640). Final Kerb close: 2,660-70. Turnover: 1,960 tonnes.

ZINC

High grade	Unofficial close (p.m.) £ per tonne	+ or —	High/Low
Cash	520-2	—2.5	526.5
3 months	515-7	—2.5	520/513

Official closing (am): Cash 519-21 (526.5-7), three months 515-6 (520-1), settlement 521 (527). Final Kerb close: 514-15. Turnover: 9,700 tonnes. US Prime Western: 41.5-45.75 cents a pound.

KUALA LUMPUR TIN MARKET—Close: 16.66 (16.72) ringgit per kg. Down 0.06.

LONDON METAL EXCHANGE TRADED OPTIONS

	Strike Price $/tonne	Calls Nov.		Puts Nov.	
Aluminium 99.7%	—	—		—	
	—	—		—	
	—	—		—	
		July	Sept.	July	Sept.
Aluminium 99.5%	1,375	—	—	12	17
	1,400	—	—	18	27
	1,425	58	23	27	41
Copper (Grade A)	1,475	—	—	15	29
	1,500	—	40	22	40
	1,525	26	32	36	54
	£/tonne				
Copper (Grade A)	900	—	—	10	18½
	925	18	22	20	30
	950	9	13	—	—

GOLD

GOLD BULLION (fine ounce)		June 3
Close	$451-451½	(£274¼-276¼)
Opening	$453-453½	(£275¾-276¼)
M'n'g fix	$453.25	(£275.928)
Aft'n'n fix	$453.00	(£275.666)

GOLD AND PLATINUM COINS		
Am Eagle	$464-469	(£283¾-287)
Mapleleaf	$456-469	(£283½-285¼)
Kr'g'r'nd	$454-457	(£277¼-279½)
½ Krug	$238½-239½	(£145¼-145¾)
¼ Krug	$119½-120½	(73¾-73¼)
Angel	$463-467	(£281½-284¼)
1/10 Angel	$45¼-50¼	(£37½-30½)
New Sov.	$106-107	(£64¾-65½)
Old Sov.	$106-107½	(£64¾-65¼)
Noble Plat	$506-696	(£562¾-368¾)

RUBBER

PHYSICALS—Closing prices (buyers): Spot 64.50p (64.25p): July 64.25p (64.00p); Aug 64.00p (63.75p). Kuala Lumpur fob prices (Malaysian/Singapore cents) per kg: RSS No 1 —— (243.5): SMR 20 —— (207.5).

FUTURES—July 608-611. July/Sept 608-611 Index 608. Sales: Nil.

INDICES

REUTERS

June 3	June 2	M'th ago	Year ago
1611.5	1617.9	1578.3	1753.4

(Base: September 18 1931=100)

DOW JONES

Dow Jones	June 2	June 1	M'th ago	Year ago
Spot	128.43	127.19	—	125.36
Fut	126.11	124.87	—	114.50

(Base: December 31 1931=100)

MAIN PRICE CHANGES

	June 3 1987	+ or —	Month ago
METALS			
Aluminium			
Free Market	$1585/605	+40	$1415/435
Copper			
Cash Grade A	£938.5	+9.5	£876.5
3 months	£917.75	+11.25	£862.5
Gold Troy oz	$451.25	—3	$458.75
Lead Cash	£387	—29	£408.5
3 months	£361.5	—17	£353
Nickel			
Free Mkt	197/217c	+1.5	192/212c
Palladium oz	$141.50	—1.75	$147.75
Platinum oz	$579.00	+1.5	$611.00
Quicksilver†	$260/270	....	$255/265
Silver troy oz	467.25p	+5.50	486.85p
3 months	477.60p	+5.90	497.30p
Tin			
free Mkt	£4120/150	—45	£4110/140
Tungsten	$51.47	....	$46.93
Wolfram 22.0lb	$48/55	....	$50/55
Zinc	£521	—2.5	£496.5
3 months	£516	—2.5	£491.75
producers	$830	....	$790/838
OILS			
Coconut (Phil)	$420x	....	$407.5
Palm Malayan	$335z	....	$337.5
Seeds			
Copra (Phil)	$280v	+10	$270
Soyabean (U.S.)	$150	—2.5	$142
GRAINS			
Barley Fut. Sept	£97.60	—0.35	£99.35
Maize	£150.50	....	£145.00
Wheat Fut. Sept	£99.70	—0.35	£124.15
No. 2 Hard Wint.	‡		‡
OTHERS			
Cocoa Ft. Sept	£1246.5	—12	£1284
Coffee Ft. Sept	£1539	—10	£1302.5
Cotton A Ind.*	78.10c	—0.9	71.00c
Gas Oil July	$154.5	+0.25	$152.75
Rubber (kilo)	64.5p	—0.5	60.75p
Sugar (raw)	$167.6z	+2.2	$173
Wooltops 64s	459p kilo	....	470p kilo

‡ Unquoted. † Per 75-lb flask. c Cents a pound. * Cotton outlook. v July. z June/July. x July/Aug.

SILVER

Silver was fixed 5.5p an ounce higher for spot delivery in the London bullion market yesterday at 467.25p. US cent equivalents of the fixing levels were: Spot 787.1c, up 9.6c; three-month 781.35c, up 10.2c; six-month 794.9c, up 10.05c; and 12-month 823.4c, up 9.75c. The metal opened at 464-468p (763-768c) and closed at 463-467p (763-765c).

SILVER per troy oz	Bullion Fixing Price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	467.25p	+5.50	465p	—2
3 months	477.60p	+5.90	476p	—2
6 months	486.80p	+5.75	—	—
12 months	505.45p	+5.20	—	—

LME—Turnover: Nil (6) lots of 10,000 ounces.

Three months final kerb 475.7p.

COFFEE

Technical long liquidation kept the market under pressure again as commission house selling easily absorbed price-fixing. In light volume levels remained depressed for most of the day. The trade were cautious buyers on a scale basis, reports Drexel Burnham Lambert.

COFFEE	Yesterday's close	+ or —	Business done
July	1309-1310	—18.0	1323-1303
Sept	1328-1330	—20.0	1340-1325
Nov.	1350-1354	—9.0	1364-1348
Jan	1375-1378	—2.0	1380-1359
Mar	1390-1397	—2.5	1395
May	1400-1420	+1.5	1410
July	1445-1450	—7.5	1450

Sales: 2,951 (3,011) lots of 5 tonnes. ICO indicator prices (US cents per pound) for June 2: Comp. daily 1979 106.74 (107.25): 15-day average 111.57 (111.27).

COCOA

In active trading futures lost £10 and closed on a weak note at the lows. Apart from the buffer stock manager making further purchases of 3,000 tonnes there was little other interest in the physical market, reports Gill and Duffus.

	Yesterday's close £ per tonne	+ or —	Business done
July	1246-1247	—10.0	1257-1246
Sept	1246-1247	—12.0	1258-1245
Dec	1274-1275	—13.0	1288-1273
March	1301-1303	—12.0	1315-1300
May	1320-1325	—12.5	1334-132
July	1339-1342	—13.0	1355-134
Sept	1356-1360	—13.0	1371-1358

Sales: 3,486 (3,011) lots of 10 tonnes. ICCO indicator prices (SDRs per tonne). Daily price for June 3: 1,627.00 (1,547.86); 10-day average for June 4: 1,548.87 (1,554.67).

FREIGHT FUTURES

The opening was weak with further long liquidation and stop-loss selling with news of lower fixtures. The afternoon saw more declines with January reaching limit down as rumours circulated of Gulf/Japan rates at $16 and under, reports Clarkson Wolff.

	Close	High/Low	Prev.
	Dry Cargo		
July	875	885/870	909.0
Oct.	935	936/915	955.0
Jan.	935	932/924	974.5
Apr.	980	980	—
July	870	—	930.0
Oct.	930	—	970.9
Jan.	920	—	—
April	1090	—	—
BFI.	1024.5	—	1047.0

Turnover: 643 (934).

GRAINS

Old crop wheat plunged to new recent lows, touching £2.00 down in afternoon trading before rallying fractionally on short-term profit-taking. New crops appeared to follow old crop sentiment, dipping sharply, particularly on wheat, to close on the day's lows, reports T. G. Roddick.

Mnth	WHEAT Yest'rdy's close	+ or —	BARLEY Yest'rdy's close	+ or —
July	117.15	—1.85	—	—
Sep.	99.70	—0.75	97.60	—0.35
Nov.	102.20	—0.50	100.20	—0.25
Jan.	104.70	—0.65	102.60	—0.25
Mar.	107.30	—0.50	105.15	—0.10
May	109.86	—0.55	106.65	—0.35
July	113.05	—0.70	—	—

Business done—Wheat: July 118.75-7.00, Sept 100.20, Nov 102.50-2.20, Jan 105.10-4.70, March 107.45, May 110.20-9.85, July 112.50-2.00. Sales: 353 lots of 100 tonnes. Barley: Sept 97.60, Nov 100.30-0.20, Jan 102.70-2.60, March 105.15, May 106.75-6.55. Sales: 47 lots of 100 tonnes.

LONDON GRAINS—Wheat: US Hard Winter 13½ per cent: June 94.55, July/Aug 94.00. US No 2 Soft Red Winter: June 91.75, July 91.25, Aug 92.00. French 11½-12 per cent: June 143.00. English feed, fob: June 120.50 paid East Coast, June 120.00-121.00, Sept 102.50-103.00, Oct/Dec 106.00-106.50, Jan/March 110.00-110.75 buyer/sellers. Maize: US No 3 Yellow/French, transhipment East Coast: Spot 150.50. Barley: English feed, fob: June 110.00, Aug 99.50, Sept 100.50, Oct/Dec 104.00, Jan/March 108.00 buyers.

HGCA — Locational ex-farm spot prices. Feed barley: E. Midlands 106.70, N. East 108.50. The UK monetary coefficient for the week beginning Monday June 8 will remain unchanged.

POTATOES

The market was initially slightly easier, but following the recent profit-taking dip, renewed buying interest emerged, reports Coley and Harper.

Month	Yesterday's close	Previous close	Business done
	£ per tonne		
Nov	93.90	93.00	93.90-93.00
Feb.	102.00	102.50	—
Apr.	133.40	131.70	133.50-131.60
May	147.50	144.50	—

Sales: 476 (723) lots of 40 tonnes.

SOYABEAN MEAL

Good two-way commercial trade took place rhtoughout the session with particular interest in Aug/Dec. Underlying speculative buying was evident along option hedge selling, reports Muirpace.

	Yesterd'ys close £ per tonne	+ or —	Business done
June	132.0-135.0	+1.00	—
August	128.5-129.0	+1.50	128.1
October	129.2-129.5	+1.05	129.2-128.2
Dec.	131.0-132.0	+0.95	130.5-129.0
Feb	134.5-134.7	+0.75	—
April	135.0-136.0	+1.50	—
June	134.0-135.8	+0.90	—

Sales: 481 (432) lots of 20 tonnes.

MEAT

MEAT COMMISSION—Average fatstock prices at representative markets. GB—Cattle 97.66p per kg lw (−1.76). GB—Sheep 215.89p per kg est dcw (−7.26). GB—Pigs 80.99p per kg lw (+0.80). GB—AAPP 100.92p per kg dw (+0.96).

FUTURES—Pigs: June 99.00, Nov 102.00. Sales: 3.

US MARKETS

A RECOVERY in the US dollar prompted trade, local and commission house selling in the gold, silver and platinum futures, reports Drexel Burnham Lambert. The pressure was sustained throughout the day as all the markets closed near the lows of the day. In copper futures early fund buying was followed by a period of consolidation as the market closed with pared gains. Crude oil futures remained firm on commission house buying. The trade was a noted supporter of the market at lower levels. Speculative selling in cocoa futures touched off stops to ease prices in the face of scale-down manufacturer buying. Coffee fell on speculative selling. In sugar futures trade buying held the market to a narrow range as selling pressure emerged. After early steadiness cotton futures fell on follow-through selling but trade buying prompted short-covering as the market held barely steady. Speculative buying in the grains and soyabean complex firmed prices despite commercial scale-up selling and early easing of cash premiums. Cattle futures continued to fall as traders liquidated, pork bellies rallied on firmer cash prices and hogs fell on profit-taking.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	Prev	High	Low
June	71.25	71.35	—	—
July	69.40	69.50	—	—
August	68.20	68.30	—	—
Sept	67.05	67.25	67.05	67.05
Dec	66.50	66.25	66.30	66.30
Jan	66.50	66.25	—	—
March	65.50	66.25	—	—
May	66.50	66.25	—	—

COCOA 10 tonnes, $/tonnes

	Close	Prev	High	Low
July	1856	1879	1881	1850
Sept	1885	1909	1908	1881
Dec	1923	1944	1945	1919
March	1954	1978	1975	1951
May	1980	2004	1995	1980
July	2003	2027	—	—
Sept	2032	2056	2055	2035

COFFEE "C" 37,500 lb, cents/lb

	Close	Prev	High	Low
July	113.75	114.26	115.20	113.05
Sept	114.87	115.58	116.40	114.30
Dec	116.19	117.25	117.75	116.00
March	118.00	118.01	119.25	117.25
May	118.75	119.53	120.00	119.50
July	120.03	119.25	121.00	121.00
Sept	120.03	119.50	—	—

COPPER 25,000 lb, cents/lb

	Close	Prev	High	Low
June	68.40	69.40	68.80	68.40
July	68.40	69.30	69.35	68.05
August	67.50	68.45	—	—
Sept	66.65	67.60	67.60	66.35
Dec	66.30	67.30	67.40	66.00
Jan	66.20	67.20	—	—
March	66.00	67.00	66.70	65.85
May	66.05	67.00	67.00	67.00
July	66.10	67.00	66.75	66.75
Sept	66.15	67.05	—	—

COTTON 50,000 lb, cents/lb

	Close	Prev	High	Low
July	71.95	71.10	72.00	69.90
Oct	69.48	68.50	69.50	67.90
Dec	68.83	67.68	68.90	67.10
March	69.30	68.20	69.30	67.75
May	70.03	69.00	70.05	68.50
July	70.20	69.20	69.65	68.80
Oct	66.20	65.25	65.80	65.60

CRUDE OIL (LIGHT) 42,000 US gallons, $/barrels

	Latest	Prev	High	Low
July	19.89	19.69	19.89	19.64
August	19.50	19.31	19.51	19.27
Sept	19.30	19.13	19.34	19.10
Oct	19.19	19.03	19.21	19.02
Nov	19.11	18.98	19.11	18.97
Dec	19.09	18.93	19.09	18.91
Jan	19.05	18.88	19.05	18.88
Feb	18.96	18.84	18.96	18.90
March	18.92	18.81	18.96	18.88
April	18.80	18.78	—	—

GOLD 100 troy oz, $/troy oz

	Close	Prev	High	Low
June	450.2	458.2	454.0	450.0
July	452.4	458.6	457.5	453.0
August	455.5	461.8	459.7	455.2
Oct	460.9	467.3	466.0	460.5
Dec	466.3	472.8	470.5	466.0
Feb	472.4	479.0	476.5	473.0
April	518.6	525.9	—	—
June	484.8	491.6	488.8	485.0
Oct	498.1	505.1	502.0	497.0
Dec	504.8	511.9	507.5	507.0
Feb	511.6	518.8	517.0	516.0

SPOT PRICES: Chicago loose lard 14.50 (same) cents per pound. Handy and Harman silver bullion 765.5 (772.0) cents per troy ounce. New York tin 315-20 (315-20) cents per pound.

HEATING OIL 42,000 US gallons, cents/US gallons

	Latest	Prev	High	Low
July	51.50	51.38	51.80	50.90
August	51.85	51.87	51.90	51.30
Sept	52.65	52.53	52.75	52.20
Oct	53.55	53.36	53.60	53.05
Nov	54.40	54.09	54.15	54.00
Dec	55.05	54.83	55.10	54.60
March	54.00	53.93	54.60	54.60
April	53.50	53.83	53.50	53.50

ORANGE JUICE 15,000 lb, cents/lb

	Close	Prev	High	Low
July	131.80	132.45	132.80	131.70
Sept	127.70	127.95	128.15	127.40
Nov	123.90	124.25	124.10	123.55
Jan	123.10	123.90	123.80	123.10
March	123.20	123.70	124.00	123.50
May	123.20	123.90	—	—
July	123.20	123.90	—	—

PLATINUM 50 troy oz, $/troy oz

	Close	Prev	High	Low
June	571.1	584.8	—	—
July	572.6	586.3	582.0	588.6
Oct	579.9	593.6	589.0	579.0
Jan	587.1	600.8	594.0	584.0
April	594.1	607.8	602.0	600.0
July	601.1	614.8	609.0	604.0

SILVER 5,000 troy oz, cents/troy oz

	Close	Prev	High	Low
June	758.0	779.6	772.0	760.0
July	762.0	784.0	778.0	761.0
August	491.4	498.3	495.0	489.0
Sept	771.9	794.2	787.0	770.0
Dec	787.7	810.6	803.0	786.0
Jan	792.9	816.0	798.0	798.0
March	803.7	827.3	819.0	804.0
July	526.6	850.9	835.0	530.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	Prev	High	Low
July	6.63	6.57	6.64	6.53
Sept	6.85	6.70	6.85	6.83
Oct	6.94	6.26	6.94	6.86
Jan	7.20	7.03	7.10	7.10
March	7.36	7.28	7.36	7.28
May	7.53	7.47	7.53	7.46
July	7.66	7.59	7.66	7.56
Oct	7.90	7.76	7.80	7.72

CHICAGO

LIVE CATTLE 40,000 lb, cents/lb

	Close	Prev	High	Low
June	67.30	67.37	67.50	66.90
August	62.10	62.40	62.60	61.90
Oct	61.02	61.40	61.40	60.80
Dec	62.12	62.12	62.20	61.77
Feb	62.07	62.07	62.25	61.90
April	63.05	63.00	63.15	62.82
June	62.50	62.30	62.60	62.50

LIVE HOGS 30,000 lb, cents/lb

	Close	Prev	High	Low
June	59.77	59.75	59.82	59.25
July	55.70	55.77	55.85	55.30
August	51.15	51.15	51.45	50.85
Oct	44.42	44.60	44.65	44.15
Dec	44.70	44.77	44.77	44.45
Feb	43.60	43.90	43.90	43.55
April	41.25	41.15	41.40	41.00
June	42.87	42.87	42.87	42.82
July	42.75	42.60	42.75	42.60

MAIZE 5,000 bu min, cents/56-lb bushel

	Close	Prev	High	Low
July	189.6	187.4	190.0	186.2
Sept	190.4	186.6	190.4	185.2
Dec	195.4	191.6	195.6	189.6
March	204.0	199.4	204.0	197.6
May	207.6	202.4	208.0	201.4
July	209.4	204.0	210.0	203.2
Sept	205.0	203.0	—	—

PORK BELLIES 38,000 lb, cents/lb

	Close	Prev	High	Low
July	75.02	74.59	75.17	73.75
August	71.32	71.90	72.25	71.10
Feb	60.70	60.37	60.90	60.05
March	60.25	59.80	60.80	58.90

SOYABEANS 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	562.2	553.2	564.4	550.0
August	566.0	556.2	567.4	552.0
Sept	566.2	553.6	568.0	551.0
Nov	572.4	559.4	574.4	553.0
Jan	582.0	567.4	582.4	562.4
March	589.0	577.0	591.0	570.4
May	596.0	583.0	596.0	578.0
July	597.0	584.0	598.0	577.0
August	594.0	581.0	—	—

SOYABEAN MEAL 100 tons, $/ton

	Close	Prev	High	Low
July	173.0	169.2	173.5	167.3
August	170.4	167.2	171.0	165.9
Sept	170.5	167.3	171.0	166.0
Oct	170.5	167.2	172.5	165.3
Dec	173.1	168.2	174.5	167.0
Jan	174.0	169.7	175.0	168.5
March	176.9	172.2	177.0	170.0
May	178.0	172.0	178.0	170.0
July	177.0	171.5	177.0	170.0
August	177.5	171.5	177.0	178.0

SOYABEAN OIL 60,000 lb, cents/lb

	Close	Prev	High	Low
July	16.91	16.70	16.97	16.55
August	17.10	16.86	17.17	16.72
Sept	17.27	17.04	17.34	16.92
Oct	17.47	17.25	17.52	17.15
Dec	17.78	17.59	17.83	17.45
Jan	17.85	17.67	17.85	17.55
March	18.15	18.00	18.15	17.95
May	18.37	18.22	18.35	18.40
July	18.50	18.40	18.50	18.45

WHEAT 5,000 bu min, cents/60-lb bushel

	Close	Prev	High	Low
July	272.2	271.2	274.4	269.4
Sept	277.6	276.6	280.2	275.0
Dec	285.2	285.2	288.4	281.4
March	287.0	287.2	289.2	285.0
May	279.0	279.4	282.0	279.0
July	273.0	275.0	275.0	273.0

SUGAR

LONDON DAILY PRICE—Raw sugar $167.60 (£102.20), up $2.20 (up £1.00) a tonne for June/July delivery. White sugar $181.40, down $8.00.

No. 6 Contract	Yest'day's close	Previous close	Business done
	$ per tonne		
Aug	148.4-148.8	150.2-150.6	148.8-148.8
Oct	155.2-155.6	156.6-157.2	166.6-155.8
Dec	158.4-159.4	160.0-160.1	157.8-157.8
Mar	164.0-164.4	165.8	164.8-162.8
May	167.0-167.4	168.2-169.2	—
Aug	170.8-171.4	171.0-172.0	—
Oct	172.6-175.5	175.0-175.2	—

Sales: 1,269 (3,935) lots of 50 tonnes. Tate and Lyle delivery price for granulated basis sugar was £208.00 (£205.00) a tonne for export.

International Sugar Agreement—(US cents per pound fob and stowed Caribbean ports). Prices for June 2: Daily price 6.36 (6.30); 15-day average 6.68 (6.72).

PARIS—(FFr per tonne): Aug 1105-1107, Oct 1130-1134, Dec 1148-1157, March 1185-1194, May 1220-1233, Aug 1240-1257.

OIL

	Latest	Change + or —
CRUDE OIL—FOB ($ per barrel)—June		
Arab Light	—	—
Arab Heavy	—	—
Dubai	17.10-17.15*	+0.05
Brent Blend	18.60-18.70	—0.05
W.T.I. (1pm est)	19.70-19.79*	+0.10
Forcados (Nigeria)	—	—
Urals (cif NWE)	—	—
PRODUCTS—North West Europe Prompt delivery cif ($ per tonne)		
Premium gasoline	197-200	—
Gas Oil	151-152	+0.5
Heavy fuel Oil	104-106	+2
Naphtha	169-171	+2

* June.

GAS OIL FUTURES

Month	Yest'rdy's close US$ per tonne	+ or —	Business done
June	153.50	+0.50	155.50-152.0
July	154.50	+0.25	154.58-155.0
Aug	156.25	+0.25	156.25-155.2
Sept	158.25	+0.25	158.25-157.2
Oct	160.50	—	160.50
Nov	162.50	+0.50	162.50-161.5

Turnover: 2,689 (2,482) lots of 100 tonnes.

CURRENCIES, MONEY & CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar slightly stronger

THE DOLLAR was slightly stronger, recovering a little of the losses made Tuesday when news broke that Mr Paul Volcker was to step down in August as chairman of the Federal Reserve Board.

Dealers were uncertain about the impact of a new head at the US central bank, but in general were not unhappy about the appointment of Dr Alan Greenspan.

The market probably overreacted to the decision of Mr Volcker not to seek a third term at the Fed, and was therefore ready for a technical correction yesterday.

Next week's economic summit in Venice added to the mood of uncertainty, and made dealers reluctant to commit themselves, until there was an indication of whether the major industrial nations can agree on co-ordinated economic policy and further moves to prevent another dollar slide.

The dollar rose to DM 1.8070 from DM 1.8040; to FFr 6.0450 from FFr 6.0225; to SFr 1.4935 from SFr 1.4890; and to Y142.80 from Y142.15.

On Bank of England figures the dollar's index rose to 101.3 from 100.9.

STERLING—Trading range against the dollar in 1987 is 1.6885 to 1.4710. May average 1.6685. Exchange rate index was unchanged at 72.8, compared with 67.9 six months ago.

Sterling was steady ahead of next week's UK general election. The larger than expected rise in May official reserves, announced Tuesday, was offset by concern about an opinion poll, conducted by BBC's Newsnight, pointing towards losses by the Conservatives in key marginal seats and a hung parliament. The pound was on the sidelines, with attention focused on the dollar. Sterling gained five points to $1.6430-1.6440, and also improved to DM 2.97 from DM 2.9650; to FFr 9.9350 from FFr 9.8950; to SFr 2.4550 from SFr 2.4450; and to Y234.75 from Y233.50.

D-MARK—Trading range against the dollar in 1987 is 1.9305 to 1.7690. May average 1.7887. Exchange rate index 146.9 against 144.9 six months ago.

The D-mark showed little change against the dollar in Frankfurt, as the US currency traded quietly. Dealers were reluctant to take out positions after the news about the change of chairman at the US Federal Reserve.

The market was also expected to run square positions ahead of next week's economic summit.

Apart from nervousness, on the news from the Fed, the dollar showed an underlying softness as the D-marks strengthened in the European Monetary System. Dealers reported increased pressure on the French franc and Italian lira.

The D-mark was strong despite a move by the Bundesbank to hold down interest rates, by supplying more funds than expected at a securities repurchase agreement tender.

At the Frankfurt fixing the Bundesbank did not intervene wwhen the dollar fell to DM 1.8048 from DM 1.8159. The dollar closed at DM 1.8035, compared with DM 1.8055 previously.

JAPANESE YEN—*Trading range* against the dollar in 1987 is 159.45 to 138.35. May average 140.55. Exchange rate index 222.8 against 204.4 six months ago.

The yen strengthened against the dollar in Tokyo, after a volatile day. The dollar fell to Y142.40 from Y145.20, but finished above Tuesday's New York close of Y141.20.

Dealers in Tokyo appeared to regard the dollar's overnight fall in New York, on the news about Mr Volcker's departure from the US Federal Reserve, as an opportunity to buy. It was also suggested the Bank of Japan intervened to support the dollar.

Mr Satosh Sumita, Governor of the Bank of Japan, said that according to Mr Volcker there would be no change in Fed policy, and added the market's concern was temporary and would soon disappear.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu June 3	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.9979	+1.27	+0.70	±1.5344
Danish Krone	7.85212	7.80979	−0.55	−1.12	±1.6404
German D-Mark	2.05853	2.07429	+0.77	+0.20	±1.0981
French Franc	6.90403	6.93347	+0.43	−0.14	±1.3674
Dutch Guilder	2.31943	2.33737	+0.77	+0.20	±1.5012
Irish Punt	0.768411	0.774296	+0.77	+0.20	±1.6684
Italian Lira	1483.58	1501.96	+1.24	+1.15	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

June 3	Latest	Previous Close
£ Spot	1.6415-1.6425	1.6480-1.6490
1 month	0.24-0.23 pm	0.25-0.24 pm
3 months	0.60-0.57 pm	0.59-0.56 pm
12 months	1.30-1.20 pm	1.36-1.29 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

		June 3	Previous
8.30	am	72.7	72.9
9.00	am	72.6	73.0
10.00	am	72.7	73.0
11.00	am	72.8	73.1
Noon		72.8	73.0
1.00	pm	72.9	72.9
2.00	pm	72.8	72.9
3.00	pm	72.8	72.9
4.00	pm	72.8	72.8

POUND SPOT—FORWARD AGAINST THE POUND

June 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6350-1.6459	1.6430-1.6440	0.26-0.23c pm	1.79	0.64-0.59 pm	1.50
Canada	2.2044-2.2087	2.2060-2.2070	.08pm-.02c dis	−0.27	0.14-0.02 pm	0.15
Netherlands	3.32¾-3.35	3.34-3.35	1⅛-⅞c pm	3.59	3⅛-2⅞ pm	3.66
Belgium	61.24-61.60	61.40-61.50	15-8c pm	2.25	35-24 pm	1.92
Denmark	11.11½-11.19¼	11.18-11.19	¼-1⅜ore dis	−1.14	2⅜-3½ dis	−1.12
Ireland	1.1035-1.1100	1.1070-1.1080	0.14-0.26 p dis	−2.17	0.45-0.70 dis	−2.08
W. Germany	2.95½-2.97½	2.96½-2.97½	1⅜-1¼pf pm	5.05	4-3⅞ pm	5.13
Portugal	230.02-231.50	230.50-231.50	63-146c dis	−5.43	290-409 dis	−6.05
Spain	206.09-207.15	206.85-207.15	35-84c dis	−2.74	183-251 dis	−3.33
Italy	2136¼-2152	2150-2151	1-4 lire dis	−1.40	6-10 dis	−1.49
Norway	10.96¼-11.00¼	10.99¾-11.00¾	4⅝-5¼ ore dis	−5.39	15⅝-16⅛ dis	−5.73
France	9.86¼-9.94	9.93-9.94	⅞-¼ c pm	0.75	1⅛-¼ pm	0.48
Sweden	10.32-10.37½	10.36½-10.37½	⅛-½ ore dis	−0.36	1⅝-2¼ dis	−0.75
Japan	233¼-235¼	234¼-235¼	1⅛-⅞ y pm	5.11	3⅛-2⅞ pm	5.11
Austria	20.75-20.88	20.85-20.88	9-8⅛ gro pm	4.92	24⅞-22⅞ pm	4.58
Switzerland	2.43¾-2.46	2.45-2.46	1⅛-⅞ c pm	4.89	3¼-3 pm	5.09

Belgian rate is for convertible francs. Financial franc 61.65-61.75. Six-month forward dollar 0.94-0.89 c pm. 12-month 1.34-1.24c pm.

CURRENCY RATES

June 3	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.787927	0.699835
U.S. Dollar	5.5	1.29354	1.14983
Canadian $	7.90	*	1.54503
Austrian Sch.	4	16.4047	14.5810
Belgian Franc	7¾	48.4237	42.9979
Danish Krone	7	8.77990	7.80907
Deutsche Mark	3.0	2.33458	2.07429
Neth. Guilder	4½	2.63235	2.33737
French Franc	9½	7.80651	6.93347
Italian Lira	11.5	N/A	1501.96
Japanese Yen	2½	184.329	164.023
Norway Krone	8	8.66413	7.68948
Spanish Peseta	—	162.607	144.534
Swedish Krona	7½	8.15189	7.23760
Swiss Franc	3.5	1.92802	1.71210
Greek Drach.	20½	174.499	155.181
Irish Punt	—	0.871071	0.774296

*C$/SDR rate for June 2: 1.72884

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

June 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6350-1.6450	1.6430-1.6440	0.26-0.23c pm	1.79	0.64-0.59 pm	1.50
Ireland†	1.4800-1.4858	1.4820-1.4830	0.58-0.53c pm	4.49	1.45-1.32 pm	3.73
Canada	1.3421-1.3443	1.3425-1.3435	0.17-0.20c dis	−1.65	0.44-0.47 dis	−1.35
Netherlands	2.0250-2.0380	2.0355-2.0365	0.34-0.31c pm	1.92	1.15-1.11 pm	2.22
Belgium	37.25-37.45	37.35-37.45	3pm-Par	0.48	7-2 pm	0.48
Denmark	6.76¾-6.80¾	6.80¼-6.80¾	0.80-1.50ore dis	−2.03	3.40-4.10 dis	−2.21
W. Germany	1.7975-1.8100	1.8065-1.8075	0.52-0.49pf pm	3.36	1.69-1.64pm	3.69
Portugal	140½-141	140½-141	60-110c dis	−7.24	230-300 dis	−7.53
Spain	125.60-126.00	125.90-126.00	30-80c dis	−5.25	150-200 dis	−5.56
Italy	1300-1309	1308¼-1309¾	3.00-4.00lire dis	−3.22	9.00-10.50dis	−2.10
Norway	6.67¼-6.70¼	6.69¼-6.69¾	3.85-4.35ore dis	−7.35	11.90-12.40dis	−7.26
France	6.00½-6.04¼	6.04¼-6.04¾	0.50-0.65c dis	−1.14	1.80-2.20 dis	−1.33
Sweden	6.28-6.31¼	6.30¼-6.31¼	1.02-1.32ore dis	−2.23	3.50-3.90 dis	−2.35
Japan	142.30-142.90	142.75-142.85	0.43-0.40y pm	3.49	1.34-1.29 pm	3.68
Austria	12.64-12.70¼	12.69½-12.70	3.50-3.10gro pm	3.12	10.50-9.50 pm	3.15
Switzerland	1.4810-1.4945	1.4930-1.4940	0.40-0.35c pm	3.02	1.36-1.31 pm	3.58

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.50-37.60

CURRENCY MOVEMENTS

June 3	Bank of England Index	Morgan Guaranty Changes %
Sterling	72.8	−20.6
U.S. Dollar	101.3	−5.7
Canadian Dollar	76.9	−11.6
Austrian Schilling	138.1	+10.2
Belgian Franc	100.2	−4.4
Danish Krone	93.3	+3.5
Deutsche Mark	146.9	+21.7
Swiss Franc	173.6	+23.2
Guilder	135.1	+14.3
French Franc	71.5	−13.0
Lira	47.3	−18.2
Yen	222.8	66.2

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

EURO-CURRENCY INTEREST RATES

June 3	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	8 13/16-8⅞	8¾-8⅞	8 13/16-8 11/16	8¾-8⅞	8¾-8⅞	9-9⅛
U.S. Dollar	6⅞-6⅝	6 13/16-6 11/16	7-7⅛	7¼-7⅜	7½-7⅝	8 1/16-8 3/16
Can. Dollar	8⅜-8⅝	8¼-8½	8¼-8½	8⅜-8⅝	8¾-9	9⅛-9⅜
D. Guilder	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼	5⅛-5¼
Sw. Franc	2-2¼	1¾-2	4-4⅛	3 13/16-3 15/16	3⅝-3⅞	3⅞-4
Deutschmark	3⅝-3¾	3 7/16-3 11/16	3⅝-3¾	3⅝-3¾	3 11/16-3 13/16	3 13/16-3 15/16
Fr. Franc	7⅞-8	8-8⅛	8⅛-8¼	8 3/16-8 5/16	8 3/16-8 5/16	8¼-8⅞
Italian Lire	9-11	9⅞-10⅛	10¼-10¾	10⅜-10⅝	10¼-10⅝	10⅝-11⅛
B. Fr. (Fin.)	6⅝-6¾	6¾-7	6 13/16-6 15/16	6 15/16-7 1/16	7 1/16-7 3/16	7 1/16-7 3/16
B. Fr. (Con.)	6⅜-6¾	6½-6⅞	6¾-7	6⅞-7⅛	7-7¼	7¼-7½
Yen	3 3/16-3 5/16	3⅝-3 11/16	3 11/16-3⅞	3 11/16-3⅞	3 11/16-3⅞	3 13/16-4
D. Krone	9¾-10¼	9¾-10¼	9⅞-10⅜	9¾-10¼	9¾-10¼	10¼-10¾
Asian $Sing	4¼-4½	N/A	4⅜-4½	4½-4⅝	4⅝-4⅞	4¾-4⅞

Long-term Eurodollars: Two years 8 5/16-8 11/16 per cent; three years 8⅞-9⅛ per cent; four years 9-9¼ per cent; five years 9⅛-9⅜ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

OTHER CURRENCIES

June 3	£	$
Argentina	2.6535-2.6650	1.6160-1.6220
Australia	2.2880-2.2910	1.3940-1.3950
Brazil	57.3300-57.6500	34.9120-35.0870
Finland	7.1875-7.2000	4.3830-4.3850
Greece	219.30-223.20	133.70-135.95
Hong Kong	12.8135-12.8260	7.8055-7.8065
Iran	117.20*	70.90*
Korea (Sth)	1347.30-1359.50	817.70-824.30
Kuwait	0.45900-0.46000	0.27965-0.27995
Luxembourg	61.40-61.50	37.35-37.45
Malaysia	4.0915-4.1105	2.4925-2.4975
Mexico	2090.65-2113.90	1273.00-1286.00
N. Zealand	2.8310-2.8385	1.7235-1.7265
Saudi Ar.	6.1600-6.1655	3.7505-3.7515
Singapore	3.4690-3.4760	2.1145-2.1155
S. Af. (Cm)	3.2920-3.3090	2.0100-2.0140
S. Af. (Fn)	5.4755-5.6640	3.3335-3.4485
Taiwan	51.60-51.90	31.35-31.45
U.A.E.	6.0320-6.0375	3.6725-3.6795

*Selling rate

EXCHANGE CROSS RATES

June 3	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.644	2.970	234.8	9.935	2.445	3.345	2151.	2.207	61.45
$	0.608	1.	1.807	142.8	6.045	1.494	2.036	1309.	1.343	37.40
DM	0.337	0.553	1.	79.04	3.345	0.827	1.126	724.1	0.743	20.69
YEN	4.260	7.001	12.65	1000.	42.32	10.46	14.25	9161.	9.399	261.8
F Fr.	1.007	1.654	2.989	236.3	10.	2.471	3.367	2165.	2.221	61.85
S Fr.	0.407	0.669	1.210	95.62	4.047	1.	1.363	876.0	0.899	25.03
H Fl.	0.299	0.451	0.888	70.18	2.970	0.734	1.	642.9	0.660	18.37
Lira	0.465	0.764	1.381	109.2	4.620	1.142	1.555	1000.	1.026	28.57
C $	0.453	0.745	1.346	106.4	4.503	1.113	1.516	974.6	1.	27.85
B Fr.	1.627	2.675	4.833	382.0	16.17	3.995	5.443	3500.	3.591	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

FINANCIAL FUTURES

Prices show little change

RELATIVELY LOW trading volume reflected a feeling of lethargy in the London International Financial Futures Exchange yesterday. There was little incentive to take out fresh positions with the general election being only a week away and as a result sterling based contracts were confined to a *relatively narrow range.*

An opinion poll which suggested a narrowing of the gap between the Conservative Party and others had only a small and temporary effect and with sterling remaining steady on overnight levels so market interest tended to decline.

Long term gilts for September delivery opened at 126-04 down from 126-16 and touched a low of 125-28 before coming back to a high of 126-13. It closed not far below this at 126-11.

Short covering towards the end of the day and a better tone in the US bond market were also contributory factors.

Short sterling contracts followed much the same pattern, opening at 91.29 for September delivery down from 91.36 on Tuesday, touching a low of 81.24 and moving up to a high of 91.35 before closing at 91.34.

A Japanese led dollar buying spree helped the market regain some composure after Tuesday's sharp reaction to news that Mr Paul Volcker would not be serving a third term as chairman of the US Federal Reserve Board. Support for the dollar was less evident in Europe but remained sufficient to allow US bonds to move up 89-11 at the close compared with a low of 88-24 and an opening of 88-28 but unchanged from Tuesday's close.

Other factors affecting sentiment included proximity of next week's economic summit in Venice

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
118	8.57	9.30	0.35	1.20
120	7.17	8.00	0.59	1.54
122	5.44	6.42	1.22	2.32
124	4.20	5.29	1.67	3.19
126	3.12	4.26	2.54	4.16
128	2.22	3.32	4.00	5.22
130	1.41	2.47	5.19	6.37
132	1.05	2.07	6.47	7.61

Estimated volume total, Calls 1,245 Puts 458
Previous day's open int: Calls 17,120 Puts 7,593

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Sept	Calls—Last Dec	Puts—Last Sept	Puts—Last Dec
80	9.36	9.15	0.14	0.51
82	7.49	7.43	0.27	1.15
84	6.08	6.16	0.50	1.52
86	4.45	5.00	1.31	2.36
88	3.27	3.59	2.05	3.31
90	2.16	3.01	2.58	4.37
92	1.23	2.17	4.01	5.53
94	0.53	1.43	5.31	7.15

Estimated volume total, Calls 220 Puts 82
Previous day's open int: Calls 560 Puts 399

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-Last June	Calls-Last July	Puts-Last June	Puts-Last July
21250	13.54	19.10	0.99	2.30
21500	11.51	17.19	1.46	2.89
21750	9.63	15.39	2.08	3.59
22000	7.92	13.69	2.87	4.39
22250	6.40	12.10	3.85	5.30
22500	5.03	10.10	4.98	5.80
22750	3.90	8.74	6.35	6.94
23000	2.97	7.50	7.92	8.20

Estimated volume total, Calls 15 Puts 40
Previous day's open int: Calls 392 Puts 513

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Jun.	July	Aug.	Sept.	Puts—Last Jun.	July	Aug	Sept.
1.45	19.05	—	—	19.05	0.00	—	—	0.16
1.50	14.05	14.05	14.05	14.05	0.00	0.06	0.25	0.52
1.55	9.05	9.15	9.43	9.78	0.01	0.36	0.83	1.33
1.60	4.22	5.15	5.75	6.31	0.27	1.36	2.15	2.86
1.65	1.03	2.22	3.08	3.70	2.08	3.43	4.48	5.25
1.70	0.09	0.74	1.42	1.96	6.14	6.95	7.62	8.51
1.75	0.00	0.18	0.56	0.94	11.05	11.39	11.96	12.49

Estimated volume total, Calls 35 Puts 140
Previous day's open int, Calls 1,257 Puts 2,434

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.45	12.90	—	—	12.70	0.80	—	—	1.50
1.50	15.40	15.40	—	15.40	0.25	0.25	—	0.50
1.55	12.10	12.10	—	12.30	0.20	0.30	—	0.85
1.60	4.30	4.95	6.00	6.20	0.40	1.25	2.00	2.75
1.65	1.10	2.25	3.10	3.50	2.20	3.45	4.45	5.10
1.70	0.25	0.75	1.45	1.90	6.30	7.00	8.00	8.35
1.75	0.20	0.30	0.65	1.05	11.25	11.55	12.00	12.30

Previous day's open int: Calls 816 Puts 438
Volume: 78

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last June	July	Aug.	Sept.	Puts—Last June	July	Aug.	Sept.
1.600	4.10	4.90	5.60	6.00	0.20	1.10	1.95	2.30
1.625	2.10	3.30	4.10	4.50	0.60	1.90	2.80	3.40
1.650	0.85	2.05	2.80	3.40	1.60	3.00	4.10	4.70
1.675	0.30	1.20	2.05	—	3.40	4.50	5.60	—
1.700	0.05	0.70	1.40	1.85	5.60	6.40	7.30	7.80
1.725	—	0.50	0.90	1.25	8.05	8.50	9.20	9.60
1.750	—	0.20	0.35	0.80	10.50	10.70	11.30	11.60

Previous day's open int: Calls 98,279 Puts 80,260
Previous day's volume, Calls 4,393 Puts 3,329

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last June	Sept.	Dec.	Mar.	Puts—Last June	Sept.	Dec.	Mar.
92.00	0.68	0.38	0.42	—	0.00	0.35	0.72	—
92.25	0.43	0.26	0.32	—	0.00	0.48	0.87	—
92.50	0.19	0.17	0.23	—	0.01	0.64	1.03	—
92.75	0.03	0.09	0.16	—	0.10	0.81	1.21	—
93.00	0.00	0.05	0.11	—	0.32	1.02	1.41	—
93.25	0.00	0.02	0.07	—	0.57	1.24	1.62	—
93.50	0.00	0.01	0.04	—	0.82	1.48	1.84	—

Previous day's open int: Calls 1,735 Puts 2,126
Estimated volume, Calls 92 Puts 38

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
June	126-12	126-12	125-30	126-17
Sept.	126-11	126-13	125-28	126-16
Dec.	126-05	—	—	126-10

Estimated volume 19,942 (29,061)
Previous day's open int. 25,821 (25,854)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
June	—	—	—	—

Estimated Volume 0 (0)
Previous day's open int. 0 (0)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
June	91.18	91.20	91.14	91.18
Sept.	91.34	91.35	91.24	91.36
Dec.	91.20	91.20	91.13	91.22
Mar.	91.02	91.04	90.95	91.02
June	90.88	—	—	90.90
Sept.	90.72	—	—	90.74

Estimated Volume 5,825 (6,698)
Previous day's open int. 23,633 (23,250)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
June	225.05	225.50	222.00	224.90
Sept.	229.30	229.10	227.50	229.20

Estimated volume 1,780 (1,841)
Previous day's open int. 6,876 (6,887)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
June	92.68	92.68	92.62	92.67
Sept.	92.03	92.03	91.98	91.98
Dec.	91.70	91.71	91.65	91.63
March	91.47	91.49	91.44	91.40
June	91.28	91.32	91.25	91.21
Sept.	91.13	—	—	91.09
Dec.	90.99	—	—	90.92
Mar.	90.86	—	—	90.79

Estimated volume 8,727 (12,812)
Previous day's open int. 33,111 (32,846)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
June	90-13	90-13	89-28	90-16
Sept.	89-11	89-12	88-24	89-11
Dec.	88-14	—	—	88-14

Estimated Volume 8,319 (13,148)
Previous day's open int. 3,913 (5,172)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6435	1.6411	1.6374	1.6344	1.6306

IMM—STERLING $s per £

	Latest	High	Low	Prev
June	1.6395	1.6440	1.6390	1.6440
Sept.	1.6340	1.6390	1.6340	1.6395
Dec.	1.6310	1.6385	1.6310	1.6370
Mar.	1.6385	1.6385	—	1.6360

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
June	1.6395	1.6411	1.6402	1.6465
Sept.	1.6345	1.6346	1.6346	1.6410
Dec.	1.6315	—	—	1.6385

Estimated volume 19 (18)
Previous day's open int 691 (686)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Latest	High	Low	Prev.
June	90-10	90-17	89-05	89-19
Sept.	89-06	89-15	88-01	88-16
Dec.	88-08	88-20	87-06	87-18
Mar.	87-12	87-15	86-11	86-22
June	86-17	86-24	86-17	85-29
Sept.	85-24	85-28	85-24	85-06
Dec.	84-12	85-05	85-05	84-18
Mar.	—	—	—	84-00
June	—	—	—	—
Sept.	83-20	83-20	83-20	83-01
Dec.	82-12	83-12	83-12	82-19

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	94.36	94.40	94.29	94.25
Sept.	93.35	93.35	93.30	93.24
Dec.	92.92	92.94	92.88	92.82
Mar.	92.69	92.72	92.68	92.58
Jun.	92.49	92.53	92.49	92.39
Sept.	—	—	—	92.23
Dec.	—	—	—	92.07
Mar.	—	—	—	91.93

SWISS FRANC (IMM)
SFr 125,000 $ per SFr

	Latest	High	Low	Prev.
June	0.6706	0.6735	0.6706	0.6754
Sep.	0.6768	0.6792	0.6765	0.6810
Dec.	0.6830	0.6856	0.6830	0.6872
Mar.	0.6899	—	0.6899	0.6932

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Latest	High	Low	Prev.
June	0.7012	0.7027	0.7011	0.7073
Sept.	0.7072	0.7089	0.7072	0.7135
Dec.	0.7143	0.7150	0.7140	0.7204
Mar.	—	—	—	0.7280
June	0.7290	0.7290	0.7290	0.7363

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Latest	High	Low	Prev.
June	0.5539	0.5555	0.5538	0.5564
Sept.	0.5588	0.5606	0.5588	0.5614
Dec.	0.5650	0.5657	0.5647	0.5666
Mar.	0.5700	0.5702	0.5700	0.5719

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Latest	High	Low	Prev.
June	92.65	92.67	92.63	92.61
Sept.	92.02	92.03	91.97	91.89
Dec.	91.67	91.71	91.64	91.55
Mar.	91.44	91.49	91.41	91.32
June	91.24	91.29	91.23	91.13
Sept.	91.09	91.14	91.08	90.97
Dec.	90.94	91.00	90.94	90.83
Mar.	90.81	90.88	90.81	90.71

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
June	292.60	292.75	290.10	288.60
Sept.	294.60	294.70	292.00	290.50
Dec.	296.70	296.70	294.50	292.50
Mar.	298.50	298.50	296.50	294.50

MONEY MARKETS

Rates steady ahead of UK election

TRADING WAS rather lacklustre in the London money market yesterday reflecting a reluctance to do much business ahead of next week's general election.

Period rates were slightly easier where changed but there was no change in sentiment despite a temporary bout of nerves over an opinion poll which suggested a narrowing of the gap between the Conservative and other parties.

Three-month interbank money was quoted at 8 11/16-8 11/16 per cent compared with 8 11/16-8 13/16 per cent. Overnight money opened at 9-8¾ per cent and eased to 8¼ per cent before a lack of help from the authorities pushed rates up to 11 per cent at the close. Discount houses took money early in the day up to 9 per cent which proved to be beneficial later on when rates went even higher.

UK clearing bank base lending rate 9 per cent since May 8

The Bank of England forecast a shortage of around £100m with factors affecting the market *including the repayment of late* assistance and bills maturing in official hands together with a take up of Treasury bills draining £354m and a rise in the note circulation of £90m. These were partly offset by Exchequer transactions which added £145m and banks' balances brought forward £210m above target.

The Bank revised its forecast to a shortage of around £200m but there was no assistance in the morning.

A further revision in the afternoon took the shortage to £300m but there was still no assistance given by the Bank. Late help came to £125m.

In Frankfurt call money was a little lower at 3.60 per cent following news that the Bundesbank's latest sale and repurchase tender had resulted in allocations of DM 11.2bn, far exceeding a maturing facility of DM 3.5bn.

Strong demand for liquidity this month resulted in commercial banks bidding up for funds so that a large amount of applications were successful. There was little chance of the authorities being able to resist the size of the allocation since the only obvious way would have involved increasing the minimum tender rate, something it is anxious to avoid at the moment. There is already a good deal of pressure on the West German authorities

The technical surplus may not last however since next week sees the expiry of another facility which will drain DM 9.5bn from the market if not replaced.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 3) 3 months U.S. dollars		6 months U.S. dollars	
bid 7¼	offer 7⅜	bid 7½	offer 7⅝

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	8¼
Broker loan rate	8
Fed. funds	6⅝
Fed funds at intervention	6 11/16

Treasury Bills and Bonds

One month	N/A	Three year	8.04
Two month	N/A	Four year	8.20
Three month	5.83	Five year	8.28
Six month	6.37	Seven year	8.50
One year	6.86	10 year	8.66
Two year	7.79	30 year	8.81

June 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.55-3.65	3.60-3.75	3.65-3.75	3.65-3.75	3.65-3.80	5.0
Paris	7 15/16-8	8-8⅛	8 3/16-8 5/16	8 3/16-8 5/16	8¼-8⅜	7¾
Zurich	⅞-1⅛	4-4¼	—	3¾-4	—	—
Amsterdam	5⅛-5¼	5⅛-5¼	—	5⅛-5¼	—	—
Tokyo	3.28125	3.78125	—	3.65625	—	—
Milan	10⅛-10⅞	11-11½	—	10½-11	—	—
Brussels	4.80	6⅞-7	—	6 15/16-7 1/16	—	—
Dublin	11½-11¾	11½-11¾	11¼-11½	11-11¼	10¾-11	—

LONDON MONEY RATES

June 3	Over-night	7 days notice	Month	Three Months	Six Months	One Year
Interbank	11-8¼	8-8¾	8 13/16-8 13/16	8 13/16-8 11/16	8 13/16-8 13/16	9 1/16-8 15/16
Sterling CDs.	—	—	8 13/16-8 11/16	8 11/16-8 9/16	8 11/16-8 9/16	8⅞-8⅝
Local Authority Deposits	8⅝	8¾	8 11/16	8 11/16	8 11/16	8 13/16
Local Authority Bonds	—	—	8 13/16	8 13/16	8 13/16	9 1/16
Discount M'ket Deposits	9-8¼	8¼	8¾	8½	—	—
Company Deposits	9⅛	9-8 13/16	9-8 13/16	8 11/16	8⅞	9
Finance House Deposits	—	—	8 13/16	8⅞	8⅞	9 1/16
Treasury Bills (Buy)	—	—	8¾	8½	—	—
Bank Bills (Buy)	—	—	8 13/16	8 11/16	8 9/16	—
Fine Trade Bills (Buy)	—	—	9 13/16	9 5/16	9 1/16	—
Dollar CDs	—	—	7.10-7.05	7.25-7.20	7.50-7.45	8.05-8.00
SDR Linked Deposits	—	—	6 3/16-5 15/16	6¼-6	6½-6¼	6⅝-6⅜
ECU Linked Deposits	—	—	6¾-6⅝	6 13/16-6 11/16	7-6⅞	7⅛-7

Treasury Bills (sell); one-month 8 11/16 per cent; three-months 8⅜ per cent; Bank Bills (sell): one-month 8 13/16 per cent; three months 8 7/16 per cent; Treasury Bills; Average tender rate of discount 8.4947 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1987. Agreed rates *for period June 24 to July 25, 1987, Scheme I: 10.54 p.c., Schemes II & III: 10.12 p.c. Reference* rate for period May 1 to May 29, 1987, Scheme IV: 8.873 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 9½ per cent from June 1, 1987: Bank Deposit Rates for sums at seven days' notice 3-3½ per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 8 per cent; one-three months 8¼ per cent; three-six months 8¾ per cent; six-nine months 8⅞ per cent; nine-12 months 8⅞ per cent; Under £100,000 8 per cent from June 2, Deposits withdrawn for cash 5 per cent.

WORLD MARKETS

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 3 1987					TUESDAY JUNE 2 1987			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1987 High	1987 Low	Year ago (approx)
Australia (94)	133.76	+1.5	120.66	124.06	3.13	131.75	118.89	122.55	140.95	99.92	90.24
Austria (16)	87.85	+0.7	79.25	82.37	2.28	87.25	78.73	81.76	101.62	85.94	82.17
Belgium (47)	114.45	-0.5	103.24	105.98	4.49	115.07	103.84	106.84	123.62	96.19	76.63
Canada (129)	125.68	+0.6	113.37	122.22	2.43	124.88	112.69	121.36	136.17	100.00	99.26
Denmark (39)	117.77	-0.6	106.24	109.00	2.54	118.51	106.94	109.12	124.10	98.18	96.69
France (122)	109.66	-2.3	98.92	103.98	2.70	112.20	101.24	106.00	121.82	98.39	78.68
West Germany (90)	91.42	-0.1	82.47	85.89	2.17	91.54	82.60	85.86	100.33	84.00	78.02
Hong Kong (45)	113.55	+1.9	102.43	113.79	2.96	111.43	100.55	111.72	114.71	96.89	69.42
Ireland (14)	127.20	-0.4	114.75	120.90	3.60	127.77	115.29	121.31	131.86	99.50	82.41
Italy (76)	99.15	+0.5	89.45	96.93	1.86	98.65	89.01	96.03	112.11	94.76	91.18
Japan (458)	154.08	+0.1	138.99	139.08	0.48	153.87	138.85	138.26	161.28	100.00	74.95
Malaysia (36)	172.25	+0.0	155.38	165.51	2.26	172.22	155.41	165.97	172.25	98.24	76.54
Mexico (14)	199.36	+3.1	179.84	278.90	0.79	193.41	174.53	269.94	199.36	99.72	49.90
Netherland (38)	115.55	+0.4	104.24	107.38	4.13	115.10	103.86	106.88	120.14	99.65	88.38
New Zealand (27)	93.28	+0.8	84.15	85.45	3.12	92.51	83.47	85.03	100.59	83.93	68.11
Norway (24)	138.06	-0.7	124.54	125.46	2.01	139.06	125.49	126.18	139.86	100.00	96.74
Singapore (27)	141.99	-0.3	128.08	138.39	1.75	142.35	128.45	138.93	142.35	99.29	70.44
South Africa (61)	157.97	+4.1	142.50	117.08	3.32	151.74	136.92	116.41	186.74	100.00	79.02
Spain (43)	115.19	-0.7	103.91	109.91	3.72	116.04	104.71	110.24	121.31	100.00	82.80
Sweden (33)	112.12	-1.2	101.15	104.74	2.21	113.48	102.40	105.71	124.68	90.85	88.77
Switzerland (51)	92.64	-0.4	83.57	85.77	2.01	93.01	83.92	85.86	104.06	92.53	80.64
United Kingdom (337)	146.47	+0.6	132.13	132.13	3.19	145.63	131.41	131.41	148.66	99.65	95.66
USA (596)	120.13	+1.6	108.37	120.13	3.00	118.19	106.65	118.19	124.06	100.00	102.03
Europe (930)	118.85	+0.0	107.22	109.95	2.90	118.83	107.23	109.80	121.61	99.78	87.43
Pacific Basin (687)	151.80	+0.2	136.93	137.55	0.63	151.48	136.68	136.69	158.30	100.00	75.30
Euro-Pacific (1617)	138.66	+0.1	125.08	126.54	1.41	138.46	124.94	125.96	143.22	100.00	80.09
North America (725)	120.42	+1.6	108.63	120.26	2.97	118.54	106.97	118.38	124.60	100.00	101.89
World Ex. US (1821)	138.44	+0.2	124.89	129.90	1.46	138.16	124.67	129.78	143.09	100.00	80.73
World Ex. UK (2080)	129.79	+0.7	117.08	123.43	1.88	128.85	116.27	122.30	133.33	100.00	88.47
World Ex. So. Af. (2356)	131.10	+0.7	118.27	124.26	2.00	130.21	117.49	123.17	135.85	100.00	89.14
World Ex. Japan (1959)	120.44	+1.1	108.65	116.80	2.95	119.16	107.53	115.57	121.81	100.00	95.84
The World Index (2417)	131.27	+0.7	118.42	124.23	2.01	130.34	117.62	123.14	134.11	100.00	89.71

Base values: Dec 31, 1986 = 100

[illegible]

Series		Aug 87 Vol.	Last	Nov 87 Vol.	Last	Feb 88 Vol.	Last	Stock
GOLD C	$440	18	31	—	—	—	—	$453
GOLD C	$460	98	18.40	10	30.50	2	40.10	"
GOLD C	$480	40	10.20	8	22.50	—	—	"
GOLD C	$500	288	6	3	16	24	26.50	"
GOLD C	$520	6	3.70	12	11A	—	—	"
GOLD P	$420	70	4.20	—	—	—	—	"
GOLD P	$440	55	9	—	—	—	—	"
GOLD P	$460	101	17.50	—	—	—	—	"
		Jun 87		Sep 87		Dec 87		
SILVER C	$800	4	40	40	100	—	—	$769
SILVER C	$900	24	10	—	—	4	110	"
SILVER C	$1000	—	—	7	45A	10	70	"
SILVER C	$1050	—	—	—	—	6	60	"
SILVER P	$700	8	28	—	—	—	—	"
SILVER P	$800	4	45	—	—	12	115	"
£/Fl. C	Fl.330	2	4	—	—	—	—	Fl.334.05
£/Fl. C	Fl.345	25	0.05A	—	—	—	—	"
		Jun 87		Jul 87		Aug 87		
$/Fl C	Fl.200	50	3.70	6	5.10	10	5.80	Fl.203.33
$/Fl C	Fl.205	67	1.30	2	2.30A	45	3.30	"
$/Fl C	Fl.210	—	—	—	—	7	1.80	"
$/Fl P	Fl.195	—	—	2	0.70	—	—	"
$/Fl P	Fl.200	42	0.70B	33	2.10	1	3.20	"
$/Fl P	Fl.205	339	2.70	259	4.20	1	5.70	"
$/Fl P	Fl.210	5	6.50	1	7.80	—	—	"
$/Fl P	Fl.215	5	11.70	—	—	—	—	"
		Sep 87		Dec 87		Mar 88		
$/Fl C	Fl.200	—	—	1	7.50	—	—	Fl.203.33
$/Fl C	Fl.205	—	—	25	5.45	12	6.20	"
$/Fl C	Fl.310	2	2.50A	28	3.70	62	4.50	"
$/Fl P	Fl.195	6	2.30	15	4.10	50	6	"
$/Fl P	Fl.200	55	4.20	3	6.30	—	—	"
$/Fl P	Fl.205	5	7.05	—	—	12	11	"
		July 87		Oct 87		Jan 88		
ABN C	Fl.480	317	7	87	14.50	12	24	Fl.466.50
ABN P	Fl.460	272	6.50	86	18.20	7	22A	"
AEGON C	Fl.95	61	0.90	—	—	—	—	Fl.86.60
AEGON P	Fl.90	17	4.80	6	6.10	2	7.30	"
AHOLD C	Fl.95	—	—	67	4.10	—	—	Fl.93
AHOLD C	Fl.95.50	50	1.90	—	—	—	—	"
AHOLD P	Fl.90.90	65	1.30	—	—	—	—	"
AKZO C	Fl.140	94	1	104	4.50	21	6.70	Fl.130
AKZO P	Fl.130	46	3.20	22	5.80	—	—	"
AMEV C	Fl.60	20	2.30	7	4.20	5	5.50A	Fl.59.50
AMEV P	Fl.60	—	—	20	3.70	—	—	"
AMRO C	Fl.75	154	1.70	16	3.60A	—	—	Fl.73.20
AMRO P	Fl.75	51	2.70	258	4.60	4	5.50	"
ELSEVIER C	Fl.50	71	0.80	19	2	—	—	Fl.47.80
ELSEVIER P	Fl.48	32	1.20	—	—	—	—	"
GIST-BROC C	Fl.45	70	0.70	208	1.80	50	3	Fl.41.40
GIST-BROC P	Fl.40	396	0.80	5	1.80	50	2.50	"
HEINEKEN C	Fl.180	103	2.80B	6	6.10	—	—	Fl.173.80
HEINEKEN P	Fl.160	25	1	10	2.50	—	—	"
HOOGOVENS C	Fl.40	28	3	21	4.10	2	6.50A	Fl.41.50
HOOGOVENS P	Fl.40	86	1.50	7	2.50B	—	—	"
KLM C	Fl.50	75	0.70	1091	1.70	23	2.70	Fl.45.50
KLM P	Fl.45	53	1.20	54	3.40B	14	4	"
NED. LLOYD C	Fl.130	37	10	—	—	—	—	Fl.139.30
NED. LLOYD P	Fl.140	127	9	3	12.30	13	12.80	"
NAT. NED. C	Fl.70	79	1	115	2.40	30	3.50	Fl.66.20
NAT. NED. P	Fl.70	65	4	20	5.20	—	—	"
PHILIPS C	Fl.55	69	0.30	133	1.20	32	2	Fl.47.80
PHILIPS P	Fl.55	83	7.50	7	7.30	50	7.70	"
ROYAL DUTCH C	Fl.260	302	4.90	61	8.90	65	12.50B	Fl.257.20
ROYAL DUTCH P	Fl.260	290	5.80	133	11.50	4	12	"
ROBECO P	Fl.100	—	—	5	2	—	—	Fl.101.70
UNILEVER C	Fl.660	271	7.50	53	19.30	32	28	Fl.634.50
UNILEVER P	Fl.620	122	7	—	—	25	22	"

TOTAL VOLUME IN CONTRACTS: 22,057

A=Ask B=Bid C=Call P=Put

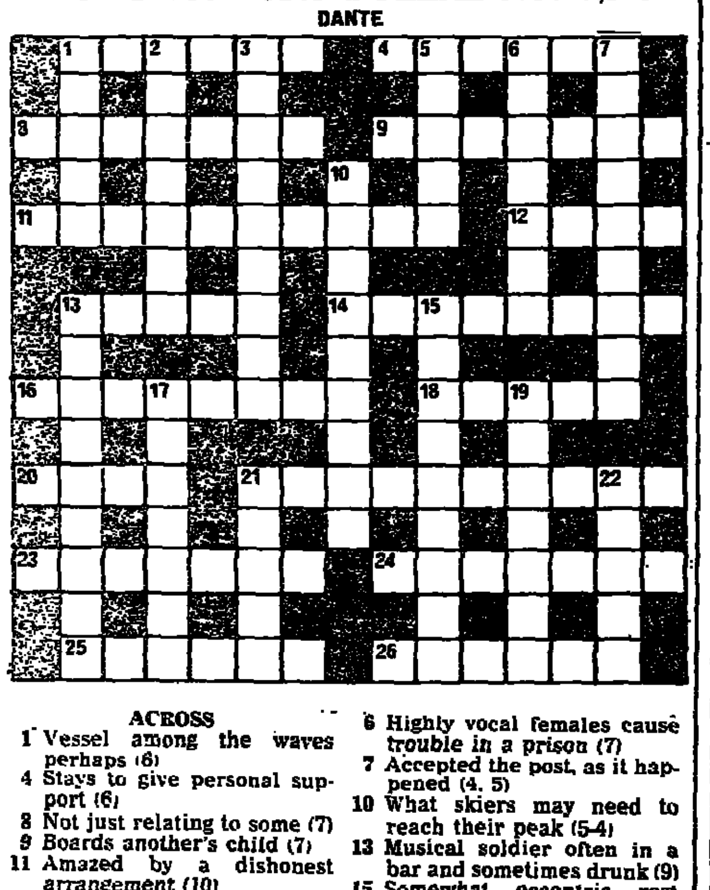
BASE LENDING RATES

	%		%		%
ABN Bank	9	● Charterhouse Bank	9	Nat Bk. of Kuwait	9
Adam & Company	9	Citibank NA	9	NatWestminster	9
Allied Arab Bk Ltd	9	City Merchants Bank	9	Northern Bank Ltd	9
Allied Dunbar & Co	9	Clydesdale Bank	9	Norwich Gen. Trust	9
Allied Irish Bank	9	Comm. Bk. N. East	9	PK Finans. Intl (UK)	10
American Exp. Bk	9	Consolidated Cred	9	Provincial Trust Ltd	10
Amro Bank	9	Co-operative Bank	*9	R. Raphael & Sons	9
Henry Ansbacher	9	Cyprus Popular Bk	9	Roxburghe G'rantee	9½
ANZ Banking Group	9	Duncan Lawrie	9	Royal Bk of Scotland	9
Associates Cap Corp	9	Equat'r'l TstC'p plc	9	Royal Trust Bank	9
Authority & Co Ltd	9	Exeter Trust Ltd	9½	Smith & Wilkinson Secs	9
Banco de Bilbao	9	Financial & Gen. Sec	9	Standard Chartered	9
Bank Hapoalim	9	First Nat. Fin. Corp	10	Trustee Savings Bk	9
Bank Leumi (UK)	9	First Nat. Sec. Ltd	10	UDT Mortgage Exp	¶11.1
Bank Credit & Comm	9	● Robert Fleming & Co	9	United Bk of Kuwait	9
Bank of Cyprus	9	Robert Fraser & Ptrs	10	United Mizrahi Bank	9
Bank of Ireland	9	Girobank	9	Unity Trust PLC	9
Bank of India	9	Grindlays Bank	‡9	Westpac Bank. Corp	9
Bank of Scotland	9	● Guinness Mahon	9	Whiteaway Laidlaw	9½
Banque Belge Ltd	9	HFC Trust & Savings	9	Yorkshire Bank	9
Barclays Bank	9	● Hambro Bank	9		
Benchmark Tst Ltd	9	Heritable & Gen. Tst	9		
Beneficial Trust Ltd	10	● Hill Samuel	§9		
Berliner Bank AG	9	C. Hoare & Co	9		
Brit Bk of Mid East	9	Hongkong & Shangh	9		
● Brown Shipley	9	Lloyds Bank	9		
Business Mtge Tst	9	Meghraj & Sons Ltd	9		
CL Bank Nederland	9	Midland Bank	9		
Canada Permanent	9	● Morgan Grenfell	9		
Cayzer Ltd	9	C Mnt Credit Corp. Ltd	9		

● Members of the Accepting Houses Committee. * 7-day deposits 4%. Savewise 6.66%. Top Tier—£2,500+ at 3 months' notice 7.97%. At call when £10,000+ remains deposited. ‡ Call deposits £1,000 and over 4½% gross. ¶ Mortgage base rate. § Demand deposit 3.99%. Mortgage 11.25%.

FT CROSSWORD PUZZLE NO. 6,343

DANTE



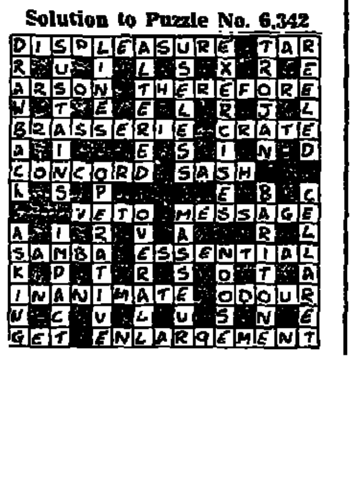
ACROSS

1 Vessel among the waves perhaps (6)
4 Stays to give personal support (6)
8 Not just relating to some (7)
9 Boards another's child (7)
11 Amazed by a dishonest arrangement (10)
12 Very popular winter sports range (4)
13 He may be found in a wrongful act (5)
14 Press one to state conclusion is paradoxical (8)
16 Bank with the Spanish and get poor measure (8)
18 Falls short of a pound note—forged perhaps (5)
20 Thin metal blade (4)
21 It's not the same as a disagreement (10)
23 Towed home (7)
24 Unusual way to display anger (7)
25 Get out of breath, being no longer fit (6)
26 Editorial boss (6)

DOWN

1 Baggage carts (5)
2 Beaten, due to no preparation (7)
3 At one time he fought in spectacles (9)
5 Chosen from the depot (5)
6 Highly vocal females cause trouble in a prison (7)
7 Accepted the post, as it happened (4, 5)
10 What skiers may need to reach their peak (5-4)
13 Musical soldier often in a bar and sometimes drunk (9)
15 Somewhat eccentric rest home? (3, 6)
17 Very big chap who went down to a stone (7)
19 General protection away from the wind (7)
21 Protracted speech given by doctor on law-breaking (5)
22 Tragically without a match, has to return a smoke (5)

Solution to Puzzle No. 6,342



FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

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FT UNIT TRUST INFORMATION SERVICE

Mercury Fund Managers Ltd (c)
33 King William St, EC4R 9AS 01-280 2060

American Growth	104.8	110.0xd	-1.2	1.13
(Accum Units)	109.8	116.1xd	-1.2	1.13
British Blue Chip Fund	49.8	52.8	-0.5	2.34
(Accum Units)	49.8	52.8	-0.5	2.34
American Sm Cos Fd	48.7	51.5	-0.2	0.48
(Accum Units)	48.7	51.5	-0.2	0.48
American Income	49.5	52.3	-0.2	4.98
(Accum Units)	53.9	57.0	-0.2	4.98
European Growth	136.3	144.2	-1.7	0.83
(Accum Units)	141.0	149.2	-1.8	0.83
European Income	79.3	83.9	-0.9	3.52
(Accum Units)	81.6	86.2	-1.0	3.52
General	920.5	970.9	-2.2	2.10
(Accum Units)	582.2	616.0	-3.7	2.10
Gilt	90.4	90.8xd	-0.4	7.21
(Accum Units)	107.6	108.1xd	-0.5	7.21
Global Fund	48.7	51.8	+0.1	0.70
(Accum Units)	48.7	51.6	+0.1	0.70
High Interest Fund	47.8	50.5	-0.1	8.89
(Accum Units)	47.8	50.5	-0.1	8.89
High Income Fund	49.5	52.3	-0.3	4.99
(Accum Units)	50.7	53.7	-0.4	4.99
Income	113.7	120.3	-0.9	3.40
(Accum Units)	130.5	138.0	-1.0	3.40
International	291.6	308.8	+0.7	1.32
(Accum Units)	362.9	384.0	+0.8	1.32
Japan	231.4	245.9	+3.3	0.72
(Accum Units)	238.0	251.8	+3.4	0.72
Pacific Fd	51.9	54.9	+0.1	0.20
(Accum Units)	51.9	54.9	+0.1	0.20
Recovery	285.9	302.5	-0.4	2.18
(Accum Units)	310.9	328.9xd	-0.4	2.18
UK Smaller Co's Fd	49.4	52.3	+0.2	1.92
(Accum Units)	49.4	52.3	+0.2	1.92
Exempt May 27	344.6	351.4	+16.3	2.19
(Accum Units)	539.8	553.1	+25.6	2.19

Metropolitan Unit Trust Mngrs Ltd
3 Darkes Lane, Potters Bar EN6 1AJ. 0707 45184

UK Income Fund	57.6	61.2	-0.6	4.90
Accum Units	57.6	61.2	-0.6	4.96
UK Growth Fund Acc	59.0	62.7	-1.2	1.59
Global Income Fund	48.3	51.3	-0.3	3.90
Accum Units	48.3	51.3	-0.3	3.90
Global Growth Fund	47.4	50.4	+0.4	0.50

Midland Bank Group UT Mngrs. Ltd
Courtwood House, Silver St, Head, Sheffield S1 3RD. Tel: 0742 769842

Prudential Unit Trust Mngrs Ltd (a) (b) (c)
51-59 Ilford Hill, Ilford, Essex IG1 2DL 01-478 3377
Holborn Freeline 0800 010345

Holborn Capital Tst	72.1	76.2	-0.2	0.40
Holborn Equity Income	65.3	69.1xd	-0.3	3.72
Holborn Equity Tst	548.8	580.7	-4.0	2.39
Holborn European Tst	110.9	117.3xd	-0.8	0.71
Holborn Gilt Tst	214.6	223.5	+1.0	2.19
Holborn High Inc Tst	82.3	87.0	-0.3	4.96
Holborn Intl Grth Tst	114.3	120.9	-0.4	0.72
Holborn Japanese Tst	132.3	140.0	+1.6	0.04
Holborn N. Amer. Tst	85.9	90.8xd	-0.7	0.53
Holborn Sm Cos Tst	71.3	75.4xd		1.54
Holborn Spec Sits Tst	94.0	99.4	-0.6	1.67
Holborn UK Growth Tst	110.6	116.8	-0.7	1.60

Quilter Management Co Ltd
31-45 Gresham Street, London EC2 01-600 4177

Quadrant Gen. Fd	617.8	653.8	—	1.68
Quadrant Income	318.3	336.9	—	4.25
Quadrant Intl. Fund	432.6	457.8xd	—	1.10
Quadrant Spec. Sits	396.3	419.4	—	1.56

Reliance Unit Mgrs. Ltd
Reliance House, Tunbridge Wells, Kent 0892 510033

British Life	229.6	244.2	-2.2	2.35
Reliance Unit Tst (Inc)	152.8	162.4	-1.1	1.99
Reliance Ut Tst (Acc)	205.6	218.6	-1.5	1.99

Rensburg Fund Managers
Sidbrook Ct., Tithebarn St., Liverpool. 051-227 2030

Internat. Growth Trust	48.4	50.9	+0.1	1.5

N.M. Rothschild Fund Mgmt
St Swithin's Lane, London EC4 01-634 2991

NC America (Inc)	307.7	327.3	(z)	0.83
NC America (Acc)	336.0	357.4	(z)	0.83
NC Inc Fd.	118.8	126.3xd	(z)	2.98
NC Japan Fd	216.9	230.7	(z)	
NC Major UK Cos Fd	68.6	72.9xd	(z)	1.62
NC Smlr Australasian	82.2	87.4	(z)	0.50
NC Smlr Canadian CoFd	47.5	50.5	(z)	—
NC Smaller Cos	212.2	225.7	(z)	(z)
NC Smaller European	194.8	207.2	(z)	(z)
NC Prop.*	155.1	164.5	(z)	(z)

*Unauthorised Unit Trust

INSURANCES

FT UNIT TRUST INFORMATION SERVICE

Manufacturers Life Insurance—Contd.
Pension Fund Prices

Managed Int	421.1
Do Accum	491.5
Property Int	246.7
Do Accum	291.1
Equity Int	411.6
Do Accum	509.8
Gilt Edged Int	234.0
Do Accum	291.2
Gtee Mixed Int	157.1
Do Accum	191.5
International Int	508.7
Do Accum	619.5
Index Lk. Gilt Int.	139.9
Do. Accum	170.0

Merchant Investors Assurance
Leon House, 233 High St, Croydon 01-686 9171

Property	297.9	+0.1	—
Property Pens	391.5	+0.1	—
Equity	185.1	-.8	—
Equity Pens	837.9	-6.2	—
Money Market	318.0	+0.1	—
Money Mkt. Pens	567.1	+0.3	—
Deposit	235.0	+0.0	—
Deposit Pens	372.6	+0.1	—
Managed	280.4	-.2	—
Managed Pens	535.8	-.8	—
Intl. Equity	330.1	-1.0	—
Do. Pens	524.1	-2.4	—
Intl. Managed	303.0	-.4	—
Do. Pens	444.5	-2.0	—
North American	123.0	-1.3	—
Do. Pens	138.1	-2.2	—
Far East	288.3	-1.3	—
Do. Pens	417.5	-1.8	—
Intnl. Currency	175.2	+0.0	—
Do. Pens	229.5	+0.0	—
Index Linked	131.5	-.2	—
S & C Managed Fd	138.9	-.2	—
S & C Pens Mngd Fd	112.4	-.3	—
Trustlink Life Funds			
Per Worldwide Rec	157.1	-1.5	—
Per Far East Growth	184.8	-1.4	—
Per Intl Growth	148.3	-.9	—
Per Income	163.8	+0.1	—
Per Emerging Co's	156.9	+0.0	—
Per American Growth	140.4	-1.7	—

Norwich Union Asset Management Ltd
PO Box 124 Norwich NR1 1JS 0603 663456
NUAM Funds

[illegible] Fund	55.6	58.8
[illegible]	56.4	59.8
Equity Fund	62.3	65.6
International Fund	52.0	54.8
European Fund	54.4	57.3
North American Fund	47.1	49.6
Pacific Fund	64.6	68.1
Property Fund	50.5	53.2
Fixed Interest Fund	51.4	54.2
Index Linked Sec Fund	47.1	49.6
Deposit Fund	50.5	53.2

NUAM Retirement Plans

Mixed Fund	58.9	62.7	—
UK Ordinary Share	69.8	73.5	—
International Fund	53.2	56.0	—
Property Fund	51.3	54.1	—
Fixed Interest Fund	53.1	55.9	—
Index Linked Sec Fund	46.9	49.4	—
Deposit Fund	52.4	54.9	—

NUAM (MF)

Managed Fund	761.2	801.3	—
Equity Fund	1650.2	1737.1	—
Property Fund	313.7	330.3	—
Fixed Interest Fund	379.1	399.1	—
Deposit Fund	205.8	216.7	—
International Fund	134.9	142.0	—
Index Linked Sec Fund	47.0	49.5	—

Norwich Union Life Insurance Soc.
PO Box 4, Norwich NR1 3NG 0603 622200
Pensionmaster & Unit-Linked Plus*

Fixed Interest Fund	265.6	279.5	—
Index Linked Sec Fund	133.2	140.2	—
Ordinary Share Fund	507.1	533.7	—
International Fund	136.6	143.7	—
Property Fund	160.2	168.6	—
Deposit Fund	163.4	172.0	—
Mixed Fund	328.7	346.0	—
Norwich Units March 16	897.8		—

*Prices at 31 March 21

Pearl Assurance (Unit Funds) Ltd
252 High Holborn, London WC1V 7EB 01-405 8441

Provincial Life Assurance Co Ltd(z)

Prudential Assurance Co

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

1987 High	1987 Low	Stock	Price £	+ or –	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
100 11/32	99 31/32	Treas. 10pc 1987	100 1/32	.....	9.99	8.88
99 1/2	97 1/2	Treas. 3pc 1987	99 1/2	+1/16	3.02	7.63
101 7/8	100 7/8	Treas. 12pc 1987	101 11/32	–1/32	11.84	8.38
99 1/4	97 13/32	Treas 7 1/4pc 1985-88‡‡	99 15/32	+1/32	7.78	8.43
102 1/4	99 25/32	Exch 10 1/2pc '88	101 19/32	–1/16	10.33	8.57
101 15/16	98 15/32	Treas 9 3/4pc Cv '88	101 3/32 xd	–1/32	9.64	8.53
96 3/8	93 1/4	Transport 3pc '78-88	96 1/2	.....	3.11	6.41
101 3/4	98 1/4	Treas. 9 1/2pc '88	101 1/32	.....	9.40	8.41
105 11/32	101 1/4	Treas 11 1/2pc 1989	104 1/4	–1/16	11.03	8.73
102 5/32	97 13/32	Treas 9 1/2pc Cnv 1989	102 1/32	–1/16	9.38	8.74
94 5/8	89 1/4	Treas 3pc 1989	94 13/32	.....	3.18	6.06
104 3/8	99 15/32	Treas 10 1/2pc 1989	103 7/32 xd	–1/16	10.17	8.69
103 1/32	98 1/2	Exch 10pc 1989	102 11/32	–1/32	9.77	8.80
105 1/4	100 5/8	Exch 11pc 1989	104 13/32	–1/8	10.53	8.77
95 1/2	89 1/4	Treas 5pc 1986-89	95 1/4		5.25	7.23
125 3/32	100 1/4	Exch 10 1/4pcCv '89	106 17/32	–1/8	9.61	7.22
111 1/2	105 5/8	Treas 13pc 1990‡‡	109 23/32	–1/16	11.84	8.71
106 1/4	100 11/32	Exch 11pc 1990‡‡	105 1/4	–1/16	10.45	8.75
110 1/4	104 13/32	Exch. 12 1/4pc 1990	109 1/4	–1/16	11.47	8.76
91 11/32	84 1/2	Treas. 3pc 1990	91 1/32	–1/16	3.29	6.31
100 3/32	93 13/32	Treas 8 1/4pc 1987-90‡‡	99 13/32 xd	.....	8.26	8.29
105	97 1/2	Treas. 10pcCv 1990	103 1/2	–1/16	9.66	8.76
89 13/32	81 1/4	Exch 2 1/2pc 1990	88 3/4	.....	2.81	6.10
110 1/2	103 1/4	Treas 11 3/4pc 1991	108 29/32 xd	+1/32	10.79	8.81
95 1/4	87 1/4	Funding 5 3/4pc '87-91‡‡	94 3/4	.....	6.06	7.28
89 1/2	80 1/4	Treas. 3pc 1991	88 13/32	.....	3.39	6.32
110 7/8	100 3/32	Treas 10pc Cv '91 ‡‡	108 23/32	–1/32	9.20	7.50
109 3/8	101 3/4	Exch. 11pc 1991	107 15/32	–1/32	10.19	8.77
116 1/32	108 1/2	Treas 12 3/4pc 1992‡‡	114 13/32	–1/32	11.13	8.84
106 1/32	97 15/32	Treas 10pc 1992	104 1/2	–1/32	9.57	8.79
49 1/2	46 1/4	Treas. 8pc 1992 ‡‡(50pd)	47 1/32	.....	8.15	8.47
108 13/32	99 23/32	Treas 10 1/2pc Cv 1992‡‡	106 11/32	–1/16	9.86	8.83
		Five to Fifteen Years				
115 7/8	106 1/8	Exch. 12 1/4pc '92	113 1/2	–1/32	10.79	8.93
121 1/2	111 1/4	Exch 13 1/2pc 1992	118 11/16	–1/16	11.37	8.96
107 1/2	97 15/32	Treas 10pc 1993‡‡	105 1/2	–1/16	9.51	8.83
118 1/2	108 13/32	Treas 12 1/2pc 1993‡‡	116 15/32	–1/16	10.74	8.96
95 7/8	82 1/4	Funding 6pc 1993‡‡	94 1/2		6.37	7.14

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
41 Lothbury, London, EC2P 2BP 01-726 1000				
£2,000 to £9,999	8.00	6.12	8.39	Qtr
£10,000 and above	8.125	6.25	8.53	Qtr
Oppenheimer Money Mgmt Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Money Mngt. Acct	8.125	6.11	8.71	3-Mth
Phillips & Drew Trust Ltd				
120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	8.375	6.30	8.84	Qtr
Provincial Trust				
30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
H.I.C.A. (£1,000+)	9.00	6.77	9.57	Mth
Royal Bank of Scotland plc				
42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	7.87	5.92	8.29	Qtr
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	7.97	6.00	8.47	Daily
Tyndall & Co				
29-33 Princess Victoria St, Bristol 0272 732241				
Demand Acc	8.40	6.32	8.86	Qtr
Money Acc	8.30	6.25	8.76	Qtr
Client Plus Acc.	8.25	6.20	8.68	Qtr
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc.	8.00	6.02	8.21	Mth
£10,000 and above	8.25	6.21	8.48	Mth
Western Trust & Savings Limited				
The Moneycentre, Plymouth PL 1SE 0752 224141				
High Int Chq Acc	8.88	6.68	9.38	Qtr
Wimbledon & South West Finance Co Ltd				
114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	9.75	7.34	10.33	Qtr

NOTES—Gross. rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

World Capital Growth Fund
Managers: PO Box 190, St Helier, Jersey, 0534 74715
World CapGwthFdNAV(z) $13.85 —
Inv Adv Mercury Warburg Inv Mngt London

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV $23.00 —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd $19.36 –0.03 —
Inv. Adv.: M. & G. Inv. Mngt., Ltd, London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey. 0481 23765
Japan Meta Growth 13.58 +0.35 —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech $25.41 —
Dynamic Gwth Fd $26.60 —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund $11.90 11.99 —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndn Money Mngmt Co Ltd				
Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	8.22	6.19	8.75	3-mth
CAFCASH 7-day Fund	8.29	6.24	8.82	3-mth
The Charities Deposit Fund				
2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	8.60	—	8.88	3-mth
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	8.50	6.35	+8.84	6mth
7-day Fnd	8.50	6.35	+8.84	6mth
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	8.35	6.28	8.74	6-Mth
7-day Fund	8.20	6.19	8.59	6-Mth
Dollar	5.31	4.00	5.50	6-Mth

UNIT TRUST NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ⊕ Yield column shows annualised rates of NAV increase. xd ex dividend.

LONDON SHARE SERVICE

AMERICANS—Continued

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
30 3/8	22 7/8	Sara Lee $1	25 11/16xd	+ 1/16	$1.00	—	2.4
11 1/4	8 3/4	Saul (B. F.) $1	9 1/16	+ 1/16	20c	—	1.4
26 3/4	19 5/8	Southwestern Bell $1	22 1/8	− 1/8	h$2.32	—	6.4
17 5/8	14 1/4	Staley Continental	16	.....	80c	—	3.1
44 3/16	36 1/8	Sun Co. Inc. $1	39xd	− 11/16	$3.00	—	4.7
37	28 1/2	TRW Inc. $1 1/4	30 3/16xd	− 1/16	h$1.60	—	3.2
31	25 7/8	Tenneco $5	28 7/16	− 1/16	$3.04	—	6.6
187 1/2	149 1/2	Do 10pcLn.Stk. 91-5	182 1/2xd		10%	—	5.6
26 1/4	17 7/16	Texaco $6.25	22 7/8xd	− 1/4	$3.00	—	8.0
57 1/4	47 1/8	Time Inc. $1	56 11/16	+ 1/16	$1.00	—	1.1
14 1/2	11	Tracor $0.33	12	− 1/4	40c	—	2.0
24 5/8	18 7/8	Transamerica $1	19 7/8xd	− 1/16	$1.76	—	5.4
11 1/8	922p	Transworld Corp $5	11	− 1/8	20c	—	1.1
42 1/4	29 1/4	TRINOVA Corp.	40	− 1/2	h$1.00	—	1.5
19 5/8	15 1/16	♥USX $1	18 1/4	− 1/8	$1.20	—	3.9
18 1/4	15 1/16	Union Carbide $1	17 1/16	− 1/8	$1.50	—	5.4
35 3/16	26 7/8	Utd. Technologies	27 7/8	− 1/16	$1.40	—	3.1
38 5/8	27	US West‖	29 1/4	− 1/2	$3.28	—	6.9
£22 1/4	£20 1/2	Whirlpool $1.0	£21 7/8	− 1/4	—	—	—
33 3/16	26	♥Woolworth $3 1/2	29 3/16	− 1/16	$1.32	—	2.8

CANADIANS

1987 High	Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
23 1/2p	10p	♥Abbot Energy Corp.	20 1/2p	.....	—	—	—
25 1/4	10 1/8	♥Amer. Barrick Res.	21 1/2	− 1/2	—	—	—
955p	360	Ameroo	952p	.....	—	—	—
19 3/8	14 5/8	Bk. Montreal‖	15 1/8	− 1/8	$2.00	—	6.1
10 1/2	745p	Bk. Nova Scot.‖	804p	− 3	72c	—	4.1
20 5/8	18	BCE‖	19 1/2	.....	$2.40	—	5.8
960p	712p	♥Bow Valley‖	838p	− 15	40c	—	2.2
19 1/4	12 5/8	♥Brascan‖	15 1/2	− 1/8	88c	—	2.6
609p	277p	♥Breakwater Res.	390p	− 8	—	—	—
11 5/8	894p	Can.Imp.Bk. $2	963pxd	− 20	$1.08	—	5.2
12	865p	Can. Pacific‖	10 1/2	.....	48c	—	2.1
42 1/2	37 1/2	Do. 4pc Deb £100	41 1/2xd	.....	4%	—	9.6
27 1/2	15 1/4	♥Echo Bay Mines	21 1/2	.....	20c	—	0.4
150p	66p	Euro-Asia Capital Ltd.	145 1/2p	.....	—	—	—
733p	285p	Galactic Resources	455p	.....	—	—	—
69p	32p	Global Data Systems	40 1/2p	+ 3	—	—	—
873p	399p	♥Granges Explnl‖	618p	− 7	—	—	—
18p	10p	♥Gt Pacific Res.	16 1/2p	+ 1/2	—	—	—
14 1/2	781p	♥Gulf Canada‖	13 1/8	.....	52c	—	1.8
13 1/4	10	♥Hawker Sid Can‖	12 1/4	− 1/4	96c	—	3.6
740p	460p	Henlys Group	545p	.....	—	—	—
14 1/8	11	Hudson's Bay‖	11 1/2	.....	60c	—	2.8
34 1/2	24 1/4	♥Imperial Oil‖	31 1/8	+ 1/2	$1.60	—	2.4
11 5/8	782p	Inco‖	10 1/2xd	.....	US$0.20	—	1.2
25 1/4	14 1/4	♥Intl. Corona Res.	17	− 1/8	—	—	—
676p	575p	♥Inland Nat. Gas $1	668p	− 3	60c	—	4.1
363p	158p	♥Muscocho Expln.	227p	.....	—	—	—
10	745p	♥Ntnl Business Syst.‖	895p	− 9	—	—	—
12	927p	♥Rio Algom	975p	− 3	$1.30	—	6.1
19 1/8	14 1/4	Royal Bk. Can.‖	15	− 1/4	$2.00	—	6.1
49 1/2	40 1/4	Seagram‖	41 1/4	− 1/2	US$1.00	—	1.5
14 7/8	11 1/2	Toronto-Dom. Bk.‖	13	.....	84c	—	3.0
238p	19p	♥Trans Atlantic Res‖	120p	− 1/2	—	—	—
10 1/4	795p	♥Trans Can Pipe	838p	− 9	$1.12	—	6.2
184p	124p	Varity Corp‖	149p	− 10	8	—	—

BANKS, HP & LEASING

1987 High	Low	Stock	Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
187	146	ANZ SA1	179xd	+ 1	tQ20.7c	2.4	4.9	8.6
*£168	£142	Algemene Fl.100	£143	.....	Q27%	2.1	5.8	8.1
*273	230	Allied Irish	248xd	+ 2	Q61.6%	♦	5.7	♦
70	56	Anglo Irish	66xd	+ 1	Q19.69%	1.4	6.7	15.7
92	84	Ansbacher (H.) 1p	85	.....	2.0	—	3.2	—
£40 1/2	£30 1/2	Banco de Bilbao S.A.	£34 3/4	.....	Q38%	3.0	2.7	12.3
£29 1/2	£23 1/2	Banco de Santander	£27 5/8	+ 1/16	Q23.2%	♦	1.6	♦
260	193	Bank Ireland IrE1	234xd	− 2	Q16.9%	♦	6.6	♦

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Cont

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Cont.

ELECTRICALS

ENGINEERING

ENGINEERING—Continued

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCES

LONDON SHARE SERVICE

INSURANCES—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PAPER, PRINTING—Continued

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Cont.

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

Finance, Land, etc

[illegible]

FINANCE, LAND—Cont.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Continued

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * *Highs and Lows marked thus have been adjusted to allow for rights issues for cash.*
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ϕ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- ♯ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♣ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	78	......	Fin. 13% 97/02	£111	......
Craig & Rose £1	£16¾	......	Arnotts	333	+3
Finlay Pkg. 5p	85	......	CPI Hldgs	59	......
Holt (Jos) 25p	945	......	Carrol Inds.	143	......
IoM Stm. £1	118	......	Dublin Gas	18	......
			Hall (R. & H.)	100	......
IRISH			Heiton Hldgs.	39	......
Fund 11¼% 1988	£100⅝	......	Irish Ropes	162	......
Nat. 9¾% 84/89	£98⅛	......	Unidare	385	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	35	NEI	8
Amstrad	16	Nat West Bk	55
BAT	47	P & O Dfd.	55
BOC Grp.	42	Plessey	20
BSR	12	Polly Peck	20
BTR	30	Racal Elect	20
Babcock	19	RHM	30
Barclays	47	Rank Org Ord	55
Beecham	48	Reed Intnl	42
Blue Circle	62	STC	20
Boots	25	Sears	12
Bowaters	37	TI	55
Brit Aerospace	58	TSB	8
Brit. Telecom	20	Tesco	42
Burton Ord	23	Thorn EMI	50
Cadburys	22	Trust Houses	20
Charter Cons.	30	Turner Newall	24
Comm Union	29	Unilever	150
Courtaulds	35	Vickers	55
FNFC	20	Wellcome	50
Gen Accident	80	**Property**	
GEC	18	Brit Land	17
Glaxo	110	*Land Securities*	36
Grand Met	40	MEPC	32
GUS 'A'	100	Peachey	30
Guardian	85	**Oils**	
GKN	30	BOM	3½
Hanson Tst.	15	Brit Petroleum	60
Hawker Sidd	50	Burmah Oil	38
ICI	80	Charterhall	4
Jaguar	52	Premier	4
Ladbroke	40	Shell	75
Legal & Gen	25	Tricentrol	11
Lex Service	36	Ultramar	17
Lucas Inds	55	**Mines**	
Marks & Spencer	18	Cons Gold	65
Midland Bk	55	Lonrho	24
Morgan Grenfell	35	Rio T Zinc	65

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON STOCK EXCHANGE

Account Dealing Dates

*First Dealings	Option Declarations	Last Dealings	Account Day
May 11	May 28	May 29	Jun 8
Jun 1	Jun 11	Jun 12	Jun 22
Jun 15	Jun 25	Jun 26	July 6

* New time dealings may take place from 9.00 am two business days earlier.

Bank stocks feature as equity sector advances to new peaks in late trading

London's securities markets turned in an ebullient performance yesterday as Wall Street's rebound from the news of Mr Volcker's departure from chairmanship of the Federal Reserve Board more than counter-balanced any bearish effects from the latest UK opinion polls.

The equity sector burst through to new peaks in late afternoon in a session which abruptly reversed Tuesday's pattern. A final flourish was fuelled by an apparent misreading of Brazil's statement regarding interest payments on its sovereign debt. Bank stocks surged ahead in heavy trading, but gains were trimmed after the City took a closer look at Brazil's announcement.

The FT-SE 100 index, down 18 points before 9.30 am, closed a net 15.8 higher at 2,235.4, well above the previous closing peak reached on Monday. Also at an all-time high was the FT Ordinary index, up 15.3 at 1,739.6.

The early fall in share prices reflected a widespread markdown by the market-makers after the overnight opinion polls had indicated pressures on the Government's lead as Election Day draws nearer. The market-makers were caught out, however. No sellers appeared and the lower prices quickly attracted buyers.

By mid-session, equities had rallied and were poised to respond to the early advance on Wall Street. Trading was erratic, with buying coming mostly from market professionals.

Technical problems prevented the late updating of some prices.

Imperial Chemical Industries stood out strongly on currency considerations, but gains in the other exporting issues were modest—Glaxo and Fisons showing single-digit rises. Among the internationals, Hanson Trust again failed to respond to the increased profits.

Traders commented that "it was a good day, but slightly dangerous." The excitement on the banking sector took the market's attention away from the next batch of UK opinion polls, due today and later this week.

Government bonds took their cue from the performance of the dollar and the US bond markets in the wake of Mr Volcker's move. UK Gilts opened around ½ point down, responding to a sharp dip in US bonds in Tokyo overnight. But, with the dollar steadier in Europe and the US bond market making a firm start yesterday, London bond prices steadied to close with losses of a net ¼ or so.

Trading was mostly from the local trading houses, and the market remained nervous at the end of the day. Some London bond analysts have predicted a fall in the dollar following the change at the Federal Reserve, and the UK market is expected to keep a close eye on both the US currency and credit markets in the weeks ahead.

Gold mining shares had a nervous session as traders waited for bullion prices to respond to the uncertainty cast over the dollar by Mr Volcker's departure from the US Federal Reserve.

However, with the dollar steady yesterday, gold shares held up well, and some recouped falls chalked up in the previous session. The FT Gold Mines index gained 9.5 to 389.7.

Barclays spiralled upwards during the late afternoon, as did all the other leading banks, after Brazil announced it was prepared to pay half the interest on outstanding loans. A misinterpretation of the initial statement from Brazil—dealers were led to believe that Brazil intended to pay half its debts—triggered the brief buying rush into the big four banks, before an equally brief bout of selling took prices back down to more realistic levels.

Barclays rushed up from 533p to 569p before coming back to close a net 25 higher at 560p, as did Lloyds which rose to 569p prior to ending the session at 560p, a net gain of 25. Midland sprinted up to 672p but closed 24 firmer on balance at 664p while NatWest, chased up to 694p immediately on the Brazilian news, were finally quoted a net 9 higher at 687p.

Mike Fesemeyer, bank analyst at broker Savory Miln, said the "confusion during the first few minutes after the Brazilian news gave an ideal opportunity to sell bank shares but the problem will not disappear with this.

GEC advanced strongly and closed 8 up at 241p after a turnover of 16m shares following the acquisition for £125.9m of TI's Creda domestic appliances division. TI settled 6 higher at 352p.

Brian Newman, electricals analyst at Chase Manhattan Securities said "GEC's acquisition of TI's Creda division confirms the group's aggressive acquisition policy and will consolidate GEC's position as the UK's leading manufacturer of domestic appliances with a profit potential of over £50m per annum.

Reed International featured on the results front after revealing a 37 per cent increase in preliminary profits to £188m—a figure at the top end of market estimates.

The shares put on 13 to 463p as some 4.1m shares changed hands. The outcome led brokers to upgrade profits forecasts with BZW, for example, now expecting £220m for the current year.

Guinness announced a joint venture deal with Moet-Hennessy covering distribution in the US, Japan and the Far East. A series of companies are being set up and part of these arrangements include the purchase from Inchcape of its Calbeck businesses in the Far East for £41.5m.

Considerable trade built up in Guinness shares and the price rose to 366p before closing a net 11 higher on the day at 367p. Inchcape a strong performer recently, eased back 4 to 732p. Allied-Lyons (428p) rallied after announcing closer links with top-seller Bacardi.

Life Insurances were highlighted by Legal and General which attracted good support and closed 7 higher at 327p. Composites included features in Royals, which after sliding to 442p early on, still upset by the recent profits downgrading by broker Scrimgeour Vickers and rumours of a large placing, picked up strongly to close the session a net 10 up at 458p.

Redland rose 10 to 530p on consideration of the Equiticorp counter bid for Monier, 49.9 per cent held by Redland. Blue Circle closed at 475p ex the one-for-one scrip.

Reabrook jumped 25 to 259p in the wake of the agreed bid from Yule Catto.

Activity in Stores centred mainly on secondary counters. Dealers reported a lively two-way business in Ellis and Goldstein, 116½p and Goodman Bros, 57p, up 6½ apiece. Alfred Preedy were also wanted and put on 6 for a two-day gain of 18 to 171p, but Miss Sam, expected to reveal first-half figures today, dipped 8 to 142p. Body Shop closed 15 lower at 825p as the interim profits fell short of most market estimates. Similarly, annual results from Dunhill were generally regarded as uninspiring and despite the sweetener of the proposed 3-for-1 scrip issue, the shares eased a few pence to 706p. The sector's feature, however, was provided by Bremner which spurted 14 to 90p in response to the company's provisional move into financial services via the acquisition of Glasgow-based stockbroker Caswell and Co.

Leading Food Retailers gave modest ground for choice, with the noteworthy exception of ASDA-MFI which attracted a sizeable two-way turnover and advanced 6 to 181p. A number of rumours did the rounds, including talk of a broker's bullish circular and the old chestnut that Ladbroke is set to make a bid for the MFI operation; dealers also suggested that "down-under" group Coles may be interested in acquiring a major UK retailer.

Elsewhere in Foods, S. & W. Berisford gave up 10 more to 342p amid fresh thoughts that the international joint venture with W. R. Grace of the US may hinder takeover enthusiasm for the present. United Biscuits were a strong market, with traders reporting substantial activity after-hours; the shares finished 9 to the good at 310p. Hunter Saphir hardened a few pence to 298p after announcing full-year figures in line with most estimates.

British Aerospace, having recovered of late amid hopes of potential earnings from the upcoming Paris Air Show, suffered a reverse and fell 7 to 597p, yesterday as sentiment was adversely affected by news that British Satellite Broadcasting had decided to place its £200m order with Hughes of the US. Extel dipped 6 to 478p on consideration of the announcement by United Newspapers that its unwelcome offer was "final." United, which claims control of almost 42 per cent of its target, closed a few pence cheaper at 462p. Further thoughts on Tuesday's trading statements prompted occasional demand for Sketchley, 8 up at 540p and Norcros, 7 to the good at 397p, the latter helped by a recommendation from Greenwell Montagu which anticipates pre-tax profits of around £63.5m for 1988. Revived bid speculation lifted perennial takeover favourite CH Industrials 12 to 194p, while Tranwood, which recently announced a proposed merger with Ilincorp Earl, closed 6½ up at 62½p.

Jaguar drifted nearer their low point for the year, settling at 519p, but commercial vehicle manufacturer Plaxtons (GB) found small support and gained 3 to 114p. Airflow Streamlines stormed higher for the fifth consecutive session to end 10 up at 130p as the stock was re-rated after Monday's excellent full-year results. Distributors attracted attention with bid speculation swirling around Frank G. Gates, 6 higher at 142p. A combination of takeover possibilities and property development potential raised Hartwell 7 to 117p. The likelihood of a buyer obtaining a 11.5 per cent stake in the company—de Zoete and Bevan placed the shares involved at 36½p on Tuesday—caused Trimoco to harden to 41½p.

Associated Book Publishers soared on the approach to a major shareholder which may lead to a cash offer substantially higher than the then prevailing price in the market. The identity of the possible buyer was not revealed but Westover Nominees, the Eyre family trust, is the major non-institutional holder. ABP closed 107 up at 380p with the nil-paid shares resulting from the recent rights issue ending 108 higher at 140p premium. William Collins issues joined the party, the "A" shares gaining 22 further to 625p, while Hobsons Publishing rose 10 to 405p. Investment recommendations put Gibbon Lyons up 27 to 141p and ATA Selection 7 higher to 75p. Elsewhere, Chapman Industries further responded to the record pre-tax profits, gaining 17 more to 300p.

Interim results slightly above some expectations made little impression on investors and MEPC, which opened lower at 473p, stayed at that level. The tone elsewhere in Properties was also more cautious although Percy Bilton managed a fresh rise of 8 to 378p and Merivale Moore advanced 15 to 350p. Egerton Trust gained 8 to 211p, but Ewart New Northern fell 10 to 155p and Centrovincial were similarly cheaper at 348p. GRA suffered as the talks with Priest Marians were called off and the close was 3½ down at 111½p; GRA remains in negotiations with other interested parties.

P & O's offer for the 22 per cent not already-owned of its Australian subsidiary failed to influence the parent group's shares at 691p.

The recent indication of substantially increased profits during first-quarter trading put Lamont up 12 further to 325p. Sekers gained 7 to 142p but Illingworth Morris slipped back 4 more to 180p.

Far Eastern-orientated Investment Trusts scored good gains, GT Japan rising 7 to 273p and Drayton Far East advancing 9 to 242p. Ivory & Sime moved higher to 170p following the joint venture with Sumitomo Trust, and Authority Investment improved 10 to 480p on acquisition news. Awaiting today's preliminary statement, which some fear could include a rights issue, Smith New Court sheded to 206p.

British Gas, initially sold down to 173½p on profit-taking, picked up well and eventually closed 3 firmer at a record 182p with Hoare Govett strong buyers of the stock; turnover in Gas totalled 28m shares.

Lonrho were idle in front of today's interim results and drifted slightly easier with other Overseas Traders to close 2½ off at 298p. Harrisons and Crosfield lost buoyancy as profit-takers moved in and settled 13 down at 557p.

Turnover in Traded Options was slightly reduced from the levels established earlier in the week. Total contracts transacted amounted to 60,128, comprising 38,160 calls and 21,968 puts. British Gas were lively with 15,638 calls done 5,222 of which were struck in the July 180 series. Gas also attracted 9,192 puts. GEC positions were popular in the wake of the TI deal and attracted 4,701 calls, the July 220s and October 200s contributing 1,417 and 1,397 trades respectively.

Traditional Options

- First dealings May 18
- Last dealings June 5
- Last declaration August 20
- For Settlement Sept 1

For rate indications see end of Unit Trust Service

Included among calls were Bula Resources, Ward, Elswick, Laird, Edmond, Humberside, Fed. Housing, Hawthorn Leslie, Central & Sheerwood, VSEL, Stakis, Acsis Jewellery, Stead & Simpson, A. Caird, B. Priest, Caparo, Chessminster, Bristol Channel. Puts: Southend Stadium, B. Elliott and Fed. Housing.

FINANCIAL TIMES STOCK INDICES

	June 3	June 2	June 1	May 29	May 28	Year ago	1987 High	1987 Low	Since Compilation High	Since Compilation Low
Government Secs	92.26	92.47	92.49	92.43	92.02	91.81	93.32 (8/5)	84.49 (6/1)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	98.21	98.33	97.99	98.06	97.87	96.91	98.54 (13/5)	90.23 (2/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary ♥	1739.6	1724.3	1,730.7	1,712.1	1,678.2	1,320.6	1,739.6 (3/6)	1,320.2 (2/1)	1,739.6 (3/6/87)	49.4 (26/6/40)
Gold Mines	389.7	380.2	378.6	388.6	390.5	224.4	485.0 (14/4)	288.2 (19/2)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Div. Yield	3.28	3.30	3.30	3.38	3.44	4.20				
Earnings Yld.%(full)	7.91	7.95	7.97	8.11	8.26	10.38				
P/E Ratio (net) (*)	15.59	15.45	15.43	15.17	14.89	11.79				
SEAQ Bargains (5 pm)	41,645	47,464	49,400	53,598	39,986	—				
Equity Turnover (£m)	—	—	1914.04	1,714.58	1,315.17	477.29				
Equity Bargains	—	—	56,406	59,651	47,174	20,949				
Shares Traded (ml)	—	—	—	778.6	508.2	242.0				

S.E. ACTIVITY

Indices	June 2	June 1
Gilt Edged Bargains	—	119.2
Equity Bargains	—	365.5
Equity Value	—	3868.8
5-Day Average		
Gilt Edged Bargains	—	133.3
Equity Bargains	—	350.1
Equity Value	—	2984.9

♥ Opening	10 a.m.	11 a.m.	Noon	1 p.m.	2 p.m.	3 p.m.	4 p.m.
—	1721.1	1725.8	1725.8	1724.9	1722.9	1730.1	1732.4

Day's High 1739.7. Day's Low 1707.5. Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, *Nil=15.28.

LONDON REPORT AND LATEST SHARE INDEX: TEL. 01-246 8026

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing price	Day's change	Stock	Volume 000's	Closing price	Day's change
ASDA-MFI	15,000	138	+8	Ladbroke	789	437	−3
Allied Lyons	2,600	429	+4	Land Securities	656	532	+2
Amstrad	8,700	207	−3	Legal & Gen.	1,200	327	+7
Argyll Group	660	467	−3	Lloyds Bank	511	560	+25
Assoc. Brit. Foods	700	404	—	Lonrho	585	298	−2½
BAT	2,200	581	+1	MEPC	619	472	−5
BET	236	285	—	Marks & Spncr	5,200	251	+2
BOC	794	470	−8	Midland Bank	669	664	+26
BPB Inds	179	805	—	NatWest Bank	939	687	+9
BPCC	2,450	299	−3	Next	481	338	+3
BTR	3,800	332	+5	Pearson	32	630	−4
Barclays	1,700	560	+25	P & O	925	691	+1
Bass	614	999	—	Pilkington Bros	1,100	886	−2
Beecham	1,800	554	+2	Plessey	4,600	213	+2
Blue Circle	855	475	+2½	Prudential	450	933	+9
Boots	2,000	296½	−1½	Racal	4,200	239½	+7½
Brit. Airways	7,200	158	+1	Rank Org	142	713	+2
Brit. Aero	2,000	597	−7	RHM	608	322	−1
Brit. & Comm.	254	434	—	Reckitt & Col	57	£11¼	+¼
Brit. Gas	26,875	183	+4	Redland	594	530	+10
Bristoil	2,700	280½	+1	Reed Intl.	3,905	462	+12
BP	5,800	361	+1½	Reuters	681	747	+8
Brit. Telecom	16,000	318	+3½	RMC	108	938	—
Bunzl	313	243	−1	RTZ	534	£10¼	−⅛
Burton	2,150	326	+6	Rolls-Royce	4,500	141	+3
Cable & Wire	9,400	397	−3	Rowntree Mac	462	528	+1
Cadbury Schwps	1,000	255	+1	Ryl Bank Scotland	305	362	+10
Coats Viyella	631	661	−10	Royal Insurance	2,700	469	+21
Comm. Union	2,900	320	+4½	STC	3,100	317	+4
Cons. Gold	477	£10½	—	Saatchi & Saatchi	414	604	+5
Cookson	608	682	−2	Sainsbury	1,400	535	−4
Courtaulds	1,100	471	+4	Scott & Newcastle	294	242	−1
Dee Corpn	1,700	240	+2	Sears	3,200	158¼	+1
Dixons Grp	1,300	377	−1	Sedgwick	218	300	—
English China Clays	741	494½	+8½	Shell Trans	1,700	£13 3/16	+1/16
Fisons	2,800	367	+5	Smith & Nephew	1,200	170½	—
Gen. Accident	311	967	−3	Standard Chart	424	811	+3
Gen. Elect	16,215	241	+8	Storehouse	2,000	294	—
Glaxo	1,500	£16 3/16	+1/16	Sun Alliance	250	869	−1
Globe Investment	71	169	—	TSB	6,500	91½	+½
Granada	890	354	+1	Tarmac	1,000	577	−2
Grand Met	2,600	557	−5	Tesco	1,800	549	+3
Gus "A"	90	£13¾	−⅛	Thorn EMI	763	727	+4
Guardian R.E.	659	938	−1	Trafalgar House	1,000	372	+1
GKN	725	334	—	T'house Forte	4,200	244	−3
Guinness	9,100	67	+11	Unigate	470	424	−3
Hanson Trust	18,000	164½	+1	Unilever	283	£30¾	+⅛
Hawker Sidd	407	530	—	United Biscuits	2,800	314	+13
Hillsdown Hldgs	2,400	290	−2	Wellcome	839	451	−5
ICI	2,500	£14⅞	+⅛	Whitbread "A"	2,200	348	—
Jaguar	1,100	519	−1½	Woolworth	435	879	+5

NEW HIGHS AND LOWS FOR 1987

NEW HIGHS (161)

BRITISH FUNDS (1), AMERICANS (2), BANKS (5), BREWERS (3), BUILDINGS (15), CHEMICALS (4), STORES (9), ELECTRICALS (8), ENGINEERING (9), FOODS (4), HOTELS (2), INDUSTRIALS (32), INSURANCE (1), LEISURE (5), MOTORS (4), NEWSPAPERS (2), PAPER (11), PROPERTY (5), TEXTILES (2), TRUSTS (30), OILS (6), MINES (1).

NEW LOWS (10)

AMERICANS (1) Rockwell Intnl, BANKS (1) Cie Bancaire, BREWERS (1) Buckley's Brew, CHEMICALS (1) Snia BPD, STORES (1) Bik Bok Gruppen, INDUSTRIALS (1) Pavion Intnl, SHIPPING (2) Lyle Shipping, Do Pref, TRUSTS (1) F & C Eurotrust, OVERSEAS TRADERS (1) REA Hldgs.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	101	9
Corporations, Dominion and Foreign Bonds	5	19	42
Industrials	430	543	576
Financial and Properties	145	169	281
Oils	29	28	55
Plantations	1	2	11
Mines	56	31	101
Others	44	121	76
Totals	713	1,014	1,151

FT-ACTUARIES INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wed June 3 1987 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 27%)	Est. P/E Ratio (Net)	xd adj. 1987 to date	Tues June 2 Index No.	Mon June 1 Index No.	Fri May 29 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (211)	931.78	+0.7	7.34	2.86	17.18	9.24	925.60	927.06	917.42	724.87
2 Building Materials (27)	1203.58	+0.5	7.02	2.80	17.77	9.68	1197.94	1199.53	1177.67	794.97
3 Contracting, Construction (33)	1575.77	+0.2	7.66	3.04	17.52	18.93	1572.50	1560.00	1542.67	1191.54
4 Electricals (13)	2397.22	+0.3	5.57	3.27	24.10	31.62	2389.41	2379.08	2342.47	1944.57
5 Electronics (36)	2111.69	+1.7	7.31	2.10	17.79	12.50	2076.69	2077.41	2068.71	1677.08
6 Mechanical Engineering (59)	501.34	−0.2	8.33	3.45	15.36	7.22	502.22	502.38	498.83	411.57
8 Metals and Metal Forming (7)	505.78	−0.9	7.34	3.00	16.41	5.36	510.14	511.50	504.47	349.65
9 Motors (15)	343.71	+0.2	8.81	3.10	13.08	3.38	343.16	343.40	338.77	294.80
10 Other Industrial Materials (21)	1545.30	+1.0	6.44	3.19	18.70	18.43	1529.69	1547.16	1531.55	1311.89
21 CONSUMER GROUP (185)	1281.87	+0.3	6.16	2.58	20.87	11.30	1278.58	1286.04	1274.79	903.64
22 Brewers and Distillers (22)	1194.48	+0.4	7.92	2.96	15.97	9.97	1190.00	1193.93	1191.33	914.57
25 Food Manufacturing (25)	983.32	+0.2	7.06	3.06	18.45	11.41	981.44	981.50	972.51	664.71
26 Food Retailing (15)	2391.57	+0.6	5.57	2.41	24.54	21.12	2377.40	2393.65	2378.55	1783.53
27 Health and Household Goods (10)	2452.77	+0.2	4.01	1.58	29.21	8.73	2447.19	2477.39	2418.89	1524.46
29 Leisure (31)	1337.31	−0.4	5.77	3.18	22.83	14.78	1343.07	1339.99	1326.68	879.44
31 Packaging & Paper (15)	661.09	−0.2	5.94	2.51	21.92	5.36	662.45	664.19	655.87	457.33
32 Publishing & Printing (14)	3783.35	+0.9	6.30	3.19	20.45	93.22	3751.32	3746.60	3661.51	2458.54
34 Stores (37)	1092.14	+0.3	6.52	2.63	20.85	11.62	1088.73	1101.30	1103.40	879.54
35 Textiles (16)	764.42	−0.1	8.01	2.92	14.48	10.56	765.04	763.41	766.85	535.86
40 OTHER GROUPS (87)	1100.94	+0.4	7.59	3.07	16.47	8.72	1096.67	1103.58	1089.09	790.68
41 Agencies (17)	1502.09	+0.4	4.66	1.70	28.35	9.15	1496.11	1507.41	1500.94	0.0
42 Chemicals (21)	1366.64	+0.3	7.15	3.21	17.16	18.71	1362.05	1343.09	1319.45	877.88
43 Conglomerates (11)	1337.56	+0.2	7.83	3.34	14.58	7.75	1334.54	1379.99	1365.04	0.0
45 Shipping and Transport (11)	2207.57	—	7.11	3.62	17.63	34.71	2206.71	2221.77	2191.82	1524.74
47 Telephone Networks (2)	1210.63	+0.8	7.72	3.10	17.65	1.09	1201.22	1209.18	1196.03	894.45
48 Miscellaneous (25)	1456.81	+0.1	9.04	3.01	13.26	17.65	1455.53	1463.51	1438.30	1038.94
49 INDUSTRIAL GROUP (483)	1155.99	+0.4	6.85	2.79	18.52	10.22	1151.44	1157.08	1145.08	839.45
51 Oil & Gas (17)	2158.45	+0.3	5.07	4.28	25.57	37.10	2151.10	2149.91	2104.55	1216.32
59 500 SHARE INDEX (500)	1241.03	+0.4	6.58	3.01	19.32	12.57	1236.24	1241.29	1226.42	872.82
61 FINANCIAL GROUP (118)	760.95	+1.2	—	3.85	—	12.06	752.17	749.29	746.21	579.82
62 Banks (8)	809.73	+2.7	17.23	4.63	7.67	15.49	788.54	781.36	781.57	609.54
65 Insurance (Life) (9)	1042.40	+1.0	—	4.04	—	20.71	1032.25	1018.20	1009.37	795.42
66 Insurance (Composite) (7)	551.15	+1.3	—	4.44	—	11.76	544.02	552.67	554.70	467.33
67 Insurance (Brokers) (9)	1211.73	−0.2	8.91	4.45	14.42	26.32	1213.91	1214.20	1211.05	1156.89
68 Merchant Banks (11)	393.03	+0.9	—	3.21	—	5.27	389.65	388.17	386.42	345.72
69 Property (46)	1169.04	−0.1	3.98	2.51	32.54	8.86	1170.02	1163.51	1147.00	764.33
70 Other Financial (28)	484.23	—	6.76	3.21	18.64	4.82	484.12	483.48	482.71	345.52
71 Investment Trusts (93)	1030.34	+0.1	—	2.32	—	9.04	1029.13	1022.86	1011.93	748.58
81 Mining Finance (2)	513.37	−0.7	5.96	3.24	19.74	6.79	517.07	500.33	504.67	282.05
91 Overseas Traders (11)	1071.27	−0.7	8.29	4.33	14.47	22.64	1079.08	1072.26	1075.28	671.23
99 ALL-SHARE INDEX (724)	1111.82	+0.5	—	3.12	—	12.28	1106.63	1108.80	1097.29	789.31

	Index No.	Day's Change	Day's High	Day's Low	June 2	June 1	May 29	May 28	May 27	Year ago
FT-SE 100 SHARE INDEX ♣	2235.4	+15.8	2236.2	2200.9	2219.6	2228.2	2203.0	2157.4	2145.7	1601.4

FIXED INTEREST

PRICE INDICES	Wed June 3	Day's change %	Tues June 2	xd adj. today	xd adj. 1987 to date
British Government					
1 5 years	124.61	−0.02	125.05	0.42	4.06
2 5-15 years	146.23	−0.21	146.54	—	5.51
3 Over 15 years	156.72	−0.24	157.11	—	5.16
4 Irredeemables	169.52	−0.34	170.11	—	6.30
5 All stocks	141.91	−0.16	142.28	0.14	5.05
Index-Linked					
6 5 years	122.61	−0.14	122.79	—	0.83
7 Over 5 years	118.68	−0.12	118.74	—	1.17
8 All stocks	118.74	−0.12	118.89	—	1.13
9 Debentures & Loans	124.83	−0.22	125.11	—	5.46
10 Preference	89.17	+0.03	89.15	—	2.87

AVERAGE GROSS REDEMPTION YIELDS	Wed June 3	Tues June 2	Year ago (approx.)
[illegible]	[illegible]	[illegible]	[illegible]

Opening index 2204.7; 10 am 2213.7; 11 am 2219.3; Noon 2218.6; 1 pm 2216.6; 2 pm 2215.7; 3 pm 2223.6; 3.30 pm 2223.5; 4 pm 2225.8

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

LONDON TRADED OPTIONS

Option		Calls July	Calls Oct.	Calls Jan.	Puts July	Puts Oct.	Puts Jan.
Allied Lyons (*422)	390	41	58	72	7	11	17
	420	22	39	50	16	23	27
	460	9	19	28	45	50	55
Brit. Airways (*158)	140	23	28	40	6	9	13
	160	10	20	29	14	17	24
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Aug.	Calls Nov.	Calls Feb.	Puts Aug.	Puts Nov.	Puts Feb.
Guinness (*366)	280	95	102	—	1½	3	—
	300	75	83	—	3	7	—
	330	50	62	72	7	15	17
	360	30	45	55	17	25	26
Ladbroke (*437)	403	50	63	—	12	16	—
	420	—	—	60	—	—	27
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price	+ or −	Net Div.	Times Covered	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid	Latest Renunc. Date	1987 High	1987 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

WORLD STOCK MARKETS

CANADA

TORONTO
Closing prices June 3

MONTREAL
Closing prices June 3

Indices

NEW YORK

STANDARD AND POORS

N.Y.S.E. ALL COMMON

TORONTO

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued from Page 43

NYSE-Consolidated 1500 Actives

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
Harcourt Wf	3,177,500	18½	+1⅛	ATT	1,508,400	28	+ ½
Gillette	2,800,800	32⅞	+ ⅛	Gen Elec	1,489,700	53¾	+ ⅞
Dayton Hud	1,882,800	48½	+1¾	Chrysler	1,420,400	35⅛	+ ⅞
Tesoro	1,712,600	2⅞	unch	IBM	1,332,300	160	+2¾
Hewlt-Pack	1,578,800	62⅞	−1⅛	A M Intl	1,329,100	6⅝	+ ⅛

Advances 929 Declines 323

TOKYO – Most Active Stocks
Wednesday, June 3, 1987

	Stocks Traded	Closing Prices	Change on Day		Stocks Traded	Closing Prices	Change on Day
Ishik.Ha.Ind.	78.42m	760	+ 31	Denki Kagaku	38.44m	763	+ 3
Nisshin Steel	43.89m	444	+ 4	Fujitsu	28.53m	1 040	+ 30
Japan Steel Works	36.17m	499	+ 32	Mitsubishi Metal	27.43m	989	+ 4
Mitsubishi H.Ind.	33.54m	822	+ 18	Nippon Steel	19.92m	358	+ 3
NKK	32.28m	530	+ 9	Kawasaki Steel	19.88m	268	+ 4

LONDON Chief price changes
(In pence unless otherwise indicated)

RISES:					
Airfl Streaml	130	+ 20	Egerton Trust	211	+ 8
ASDA-MFI	163	+ 6	Energy Capital	118	+ 34
Assoc Book Publ	380	+107	Federated Hous	227	+ 15
Bremner	90	+ 14	Gates (FG)	144	+ 8
Chapman Inds	300	+ 17	GEC	241	+ 8
Collins (Wm)	625	+ 22	Gibbon Lyons	145	+ 29
			Gt Western Res	188	+ 17
Guinness	367	+ 11	Royal Ins	469	+ 21
Hambros Bank	285	+ 17	TI Group	354	+ 8
Hartwells	117	+ 7	Tele Rentals	250	+ 17
Lamont Hldgs	324	+ 11	Tranwood	62	+ 6
Legal & General	327	+ 7	United Biscuits	314	+ 13
London United	770	+ 24	FALLS:		
Reabrook	280	+ 26	Brit Aerospace	587	− 7
Reed Intl	462	+ 12	Harris. & Crosf.	557	− 13

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅝	20⅛	AAR s	.50	1.7	21	19	30	29½	29⅞	+¼
37	21⅞	ADT	.82	3.0	17	43	30⅞	30⅝	30⅞	+⅜
27¾	16¾	AFG s	.16	.6	11	310	26⅞	25¾	25¾	−¾
22⅜	8⅜	AGS s			20	324	19⅞	19⅛	19⅞	+⅞
13	6¾	AMCA				11	8	7⅞	8	+⅛
6⅞	4⅞	AM Intl				1347	6¾	6½	6¾	+¼
62⅛	47¼	AMR			12	4026	57¾	57	57⅛	+⅛
11¾	8	ARX s			13	295	11	10½	11	+⅝
73½	38¾	ASA	2a	3.4		463	59¾	58¼	58⅞	−1½
20	9¾	AVX		1.9	84	188	17	16¾	16⅞	
67	41	AbtLab	1	1.6	25	2986	61⅜	59⅝	61⅜	+2¼
23⅛	16⅝	AccoWs .44		2.2	19	91	19⅞	19¾	19¾	−⅛
15⅛	9	AcmeC .40		3.1	9	128	12¾	12⅝	12¾	+⅛
8⅜	6⅛	AcmeE.32b		4.0	31	20	8	7¾	8	+¼
25⅞	19	AdaEx 3.42e		16.		73	21⅜	21¼	21¼	−⅛
19½	11⅜	AdmM s .24		1.5	12	3	16¼	16¼	16¼	+¼
21½	12⅛	AdvSys.62t		3.1	15	133	19⅞	19⅛	19¾	+⅜
29⅝	12⅞	AMD				2820	21⅜	20⅝	20¾	−⅝
54¾	48⅝	AMD pf	3	5.8		300	52⅜	52	52	−¾
10¾	5¼	Adobe				1385	9½	9¼	9⅜	
20½	13¾	Adob pf 1.84		9.5		15	19⅜	19¼	19⅜	+¼
21⅞	16⅝	Adob pf 2.40		12.		37	20¾	20¼	20¾	
16⅝	10⅝	Advest .12a		.9	9	60	13⅛	13	13	
68¼	53	AetnLf 2.76		4.8	9	8353	58⅛	57⅝	57¾	+½
53⅝	51⅛	AetL pf3.75e		7.2		7	52¼	52¼	52¼	−⅛

Continued on Page 43

NYSE COMPOSITE CLOSING PRICES

Continued from Page 42

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close	Ch'ge
16⅞	9	Winnbg	.40	3.3	16	227	12½	12⅛	12¼	+¼
6½	2⅝	Winner				1	3¼	3¼	3¼	
10¼	5⅞	WinterJ	.16e	3.0	30	6	5⅜	5⅜	5⅜	
64½	45½	WiscEn	2.88	5.9	11	425	48⅞	48½	48⅝	+⅛
31	26¼	WisG pf	2.55	9.4		2	27	27	27	+½
60¼	42½	WiscPL	3.04	6.6	11	32	46¾	46¼	46¼	
53	42⅝	WiscPS	3	6.7	12	103	45	44⅛	44¾	+½
47⅞	31⅛	Witco s	1.12	2.8	14	795	40¾	40	40⅝	+⅞
14	8⅛	WolvrW				156	12⅜	12⅛	12⅛	−⅛
54	37	Whwth s	1.32	2.7	14	4131	49¾	48	49¼	+1⅛
146	105	Wolw pf	2.20	1.6		1	139⅜	139⅜	139⅜	+3⅜
7¼	2	WrldAr				34	5⅝	5½	5½	
19¾	14⅜	WrldVl n				151	17½	17	17½	+½
54	39⅛	Wrigly s	1.04	2.1	18	87	49	48⅛	48¾	+⅝
3⅞	1⅜	Wurltzr				32	2⅝	2½	2½	−⅛
18⅞	11	WyleLb	.32	1.8	35	1613	17⅜	17⅛	17⅜	+⅛
25¾	16	Wynns	.60	3.4	13	70	17⅞	17⅝	17⅝	+⅛
		X Y Z								
81¼	48⅝	Xerox	3	3.9	19	2092	77⅝	76⅝	77½	+⅝
58¾	54⅜	Xerox pf	5.45	10.		21	55	54⅝	54⅝	−⅛
28¾	21½	XTRA	.64	2.5		51	25½	25¼	25¼	−⅛
24½	13½	Yorkln			15	30	24	23⅞	24	+⅛
6	2¼	Zapata				133	5	4¾	4¾	−¼
43⅞	20¾	Zayre s	.40	1.5	17	5093	27⅜	26½	27	+¼
14¾	9¾	Zemex	.40	3.0	8	30	13¼	13⅛	13⅛	+⅛
29⅝	18⅞	ZenithE				474	28⅝	28	28¼	+½
17½	8	ZenLab				553	10¾	10½	10¾	+⅛
19½	12⅜	Zero	.36	2.2	17	157	16½	16⅛	16¼	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

OVER-THE-COUNTER Nasdaq national market, closing prices

Continued on Page 41

FINANCIAL TIMES

WORLD STOCK MARKETS

AMERICA

Brisk rally as Volcker shock subsides

WALL STREET

WITH markets stabilising after the shock of Mr Paul Volcker's departure from the Federal Reserve, Wall Street bonds and stocks rallied briskly yesterday, *writes Roderick Oram in New York.*

Credit markets, helped by a partial pick up in the dollar, recovered about one-half of their Tuesday losses as prices rose by almost two points.

Stocks, which weathered Tuesday's storm better than other markets, posted sizeable gains. The Dow Jones industrial average closed up 42.47 points at 2,320.69 while the Standard and Poor's 500 added 5.01 to 293.47 and the New York Stock Exchange composite index rose 2.50 to 165.27.

Wall Street considers that Mr Alan Greenspan might follow a slightly more accommodating policy than Mr Volcker as chairman of the Fed. Equity analysts suggested that a Greenspan tilt towards growth, leavened with a slightly higher inflation rate, would boost corporate earnings.

Buying was cautious yesterday, however, with investors reluctant to plunge back into the markets so soon after turbulence and before next week's Venice economic summit. NYSE volume was moderate at 164.5m with advancing issues outnumbering those declining by 1,100 to 472.

Takeover news gave the market its biggest gainers. Morse Shoe jumped $4⅛ to $46⅛ after announcing a $47 a share management buyout to foil a $40 a share takeover offer from Mr Asher Edelman, a New York corporate raider.

Harcourt Brace Jovanovich, up $1½ to $58⅞ was one of the most active NYSE issue. The publishing group said it would try to speed up the suit Mr Robert Maxwell, the British publisher, has brought against its recapitalisation plan.

The Harcourt "stub," the existing common share minus the right to the recaps' payout of a special dividend and one preference share, was the second most active NYSE issue with 3.6m stubs trading on a when issued basis up $1⅛ to $10¾.

Gillette edged up only $¼ to $32½ but volume was unusually heavy at more than 3m shares. Rumours continue that Sir James Goldsmith, the Anglo-French financier, is building up a stake prior to a bid.

Control Data dropped $2⅞ to $29¼. The computer manufacturer said this year's earnings could be as much as $25m below earlier forecasts. Hewlett-Packard, another computer maker, fell $2 to $62 in active trading after Morgan Stanley lowered its recommendation on the stock.

Digital Equipment, off $¾ to $156⅛, and Cray Research, down 5⅝ to $92⅝, said they would develop products to link their two families of computers. Both companies are competing strongly against IBM in their respective niches of middle range and supercomputers. Cray's chairman also reiterated yesterday that analysts earnings forecasts were "too high." IBM added $2⅝ to $160⅝.

Credit markets were able to recoup some of their steep losses suffered on Tuesday following news of Mr Paul Volcker's departure as chairman of the Federal Reserve Board. Help came from a partial recovery in the dollar, thanks to heavy central bank intervention, and Japanese investor buying overnight of US Treasury securities.

The price of the benchmark 8.75 per cent Treasury long bond, which fell 3¼ points on Tuesday, rose 1 23/32 points to 99 27/32 by late afternoon in New York. Its yield eased to 8.76 per cent.

The dollar rose yesterday on thin trading as players consolidated their market positions. Many traders feel, however, that the currency could face renewed pressure next week after the Venice summit and the release of the latest US trade figures.

With the departure of Mr Volcker, foreign exchange markets believe the dollar is losing its strongest ally. He has often expressed deeper concern than officials in the Reagan Administration about the damage further falls in the dollar would do through, for example, higher inflation.

CANADA

GOLD ISSUES were weaker in Toronto after their upward surge on Tuesday. Other stocks made modest gains in fairly moderate trading.

Hemlo Gold shed C$1 to C$22, Placer dipped C$½ to C$22¼ and Dome Mines eased C$⅝ to C$19. Ignoring gold's slippage, base metals advanced. Alcan was up C$1⅜ to C$38⅜, Inco climbed C$⅝ to C$23⅞ and Falconbridge rose C$⅛ to C$21⅛.

Montreal advanced with most major stock groups higher. The Vancouver index fell four points.

SOUTH AFRICA

FIRMER BULLION pulled Johannesburg gold shares higher although gains were limited by the rise in the financial rand. The generally stimulatory budget met market expectations and had little impact.

Golds, both heavyweight and speculative, made up ground, with bellwether Vaal Reefs R15.50 higher at R413.50 and, at the other end of the market, Marievale 35 cents better at R4.75. Randfontein, however, slipped R7 to R459.

Mining financials held their recent gains, with Anglos R1.15 up at R78.40 following news on Tuesday of a 25.8 per cent rise in equity accounted profits. Among mining shares, diamond stock De Beers rose 50 cents to R39.00, but platinums closed largely unchanged.

Ian Rodger reports on Tokyo's initiative to defuse tension with US and Europe

Japan gives foreigners a foot in the market door

JAPAN'S Ministry of Finance has invited 10 foreign financial groups, including affiliates of four US commercial banks, to apply for securities branch licences.

These latest authorisations, which will raise the number of licensed foreign securities groups in Japan to 38, should ease tensions between the Japanese and US and some European Governments over obstacles to entry to Japan's securities markets. However, they are bound to rekindle a long-running row between the ministry and Japan's big commercial banks.

The list includes affiliates of four US commercial banks – Morgan Guaranty, Chemical Bank, Bankers Trust and Manufacturers Hanover. In addition, there are three British groups – Alexanders Laing & Cruickshank (part of Mercantile House) and Affiliates of Lloyds Bank and Barclays Bank.

Also included are affiliates of Bayerische Vereinsbank and BHF of West Germany, and from France a Credit Lyonnais associate.

MoF officials said yesterday there were now only about 10 applications by foreign groups for securities licences left in the pipeline.

The MoF's more open attitude was demonstrated by the inclusion in yesterday's announcement of an invitation to Lloyds Asia Securities. Mr John Scofield, the representative of Lloyds Merchant Bank in Tokyo, said the group was surprised by the invitation. It still had a lot of work to do to prepare its application and "we were resigned to waiting until the end of the year," Mr Scofield said.

The focus of attention will now shift to two other issues: the opening of membership on the Tokyo Stock Exchange to more foreign firms and the struggle of Japanese banks to win permission to open securities branches in Tokyo.

MoF officials denied reports on Monday that assurances had been given to Mr Nigel Lawson, the UK Chancellor of the Exchequer, at last Saturday's bilateral meetings that three British merchant banks – Barings, Schroders and Kleinwort Benson – would be offered TSE memberships next year. The MoF said it was in no position to make such assurances because the TSE was a private institution.

Until a few weeks ago, it was considered likely that 10 foreign companies would be allowed to become members next year, in which case it was expected that three British firms would be invited. However, more recently, there has been talk of 20 new memberships being offered, so other groups have raised their hopes. One yesterday expressed fears that Mr Lawson's remarks might offend the Japanese authorities and upset the chances of the British.

Until now, the MoF has refused to issue securities licences to US banks because of the legal proscription in the US against a company carrying out both banking and securities activities. Now that affiliates of four big US commercial banks are being allowed to do so, Japanese banks, which suffer from a similar restriction at home, will increase their pressure on the MoF for equal treatment.

Japan's big city banks have been complaining for the last two years that it was unfair of MoF to issue securities licences to affiliates of European banks while refusing to offer Japanese banks the same opportunity.

The MoF's reply was that the Europeans were being allowed to do what they did in their own countries, and only by way of 50 per cent owned affiliates.

The big US commercial banks also complained about unfair treatment in Japan, and the MoF's capitulation to their demands – undoubtedly part of the Government's efforts to ease trade frictions with the US – has undermined its previous justification.

Moreover, the Japanese banks are much more concerned about Morgan and Manufacturers Hanover as competitors than they are about most European banks.

For example, Morgan is a leader in the Euromarkets and will soon be able to market its services in this area in Tokyo as well as London and New York. By contrast, the Japanese banks are not allowed to engage in securities activities in Tokyo (although some have stationed in Tokyo unofficial representatives of their London securities subsidiaries) and they are not allowed to lead manage Japanese issues in the Euromarkets.

Some bankers took cheer yesterday from the announcement that Aubrey Lanston, the US primary dealer acquired late last year by a US subsidiary of the Industrial Bank of Japan (IBJ), would open a representative office in Tokyo. However, MoF officials said this was an exceptional case.

EUROPE

Dollar inspires mild recovery

EUROPEAN bourses, with the exception of Paris, did not react noticeably to the resignation of Mr Paul Volcker as Chairman of the US Federal Reserve Bank, news of which came after Tuesday's close. They appeared more concerned about the impact his resignation had on the dollar.

Helped by indications early in the day that the US currency was stabilising, many prices staged a mild recovery.

Frankfurt ended a cautious session mixed to higher. Turnover was modest but foreign demand pushed up chemical and auto paper. BMW, in particular, attracted strong foreign interest and ended DM 6 up at DM 613.

Daimler climbed DM 3 to DM 1,009 and VW, despite indications that its management board may face a lack of support from the larger West German banks, rose DM 1 to DM 378. Conti Gummi, the tyremaker, put on DM 1.50 to DM 335.

Siemens added DM 3.70 to DM 703.20 and AEG improved DM 1.50 to DM 311.50. Deutsche slipped DM 4.50 to DM 600 and Dresdner eased DM 1 to DM 350. Newcomer Hertel, listed officially yesterday, traded close to its issue price of DM 520.

Zurich saw only thin trading but closed mixed with some shares staging a partial recovery from Tuesday's sharp falls. All shares of Nestlé were up form the previous day's levels and chemicals were led by Ciba-Geigy, the bearer share of which put on SFr 85 to SFr 3,175.

Steelmaker Von Roll suffered steep losses, its certificate dropping SFr 20 to SFr 250 and the bearer share of Brown Boveri shed SFr 15 to SFr 1,990. Among holding companies, the Adia registered dropped SFr 200 to SFr 5,700.

Brussels also ended mixed after hesitant dealing but a late revival made up for falls early in the day. After worries about the Belgian Government's failure to reach agreement on pay with the public service trade unions, big buyers returned to the market.

Among holding companies, Société Générale moved up BFr 20 to BFr 3,420 and Groupe Bruxelles Lambert firmed BFr 10 to BFr 3,690.

Paris closed sharply lower, hit both by the Volcker resignation and concern at signs of a deepening rift between Mr Jacques Chirac, the Prime Minister, and President François Mitterrand. The general market indicator fell 2.37 per cent in active trading.

Declines were evenly spread but Alsacienne de Supermarché suffered the biggest loss, a plunge of FFr 274 to FFr 2,006.

Amsterdam ended a slow-moving day mixed and obviously helped by the stabler dollar. Unilever put on Fl 6 to Fl 634.50, Royal Dutch added Fl 1.70 to Fl 257.20 and KLM gained Fl 0.70 to Fl 45.50. Philips, however, shed Fl 0.1. to Fl 47.80.

Madrid closed marginally lower in dull trading. Utilities eased for the most part but Telefonica rose ¼ point to close at 168¼ per cent of nominal market value.

Milan was mainly higher after more activity than in recent days. Fiat led the recovery, its ordinary shares closing at L12,738 against L12,650 on Tuesday.

Stockholm ended steady to lower after sparse trading. Ericsson rose SKr 4 to SKr 269 but Pharmacia eased SKr 2 to SKr 195.

Oslo was generally firmer.

LONDON

SECURITIES markets turned in an ebullient performance after Wall Street's rebound.

The FT-SE 100 index, down 18 points before 9.30am, closed a net 15.8 higher at 2,235.4, well above the previous closing peak reached on Monday. The FT Ordinary index was also at an all-time high, up 15.3 at 1,739.6.

UK gilts opened around ½ point down, responding to a sharp dip in US bonds in Tokyo overnight. With the dollar steadier in Europe, however, and the US bond market making a firm start, London bond prices steadied to close with losses of a net ¼ or so.

ASIA

Nikkei surmounts 25,000 barrier

TOKYO

SHAKING OFF small-lot selling in the morning, Tokyo share prices advanced yesterday to close above 25,000 for the first time, *writes Shigeo Nishiwaki of Jiji Press.*

The Nikkei average of 225 select issues jumped 146.77 to its new peak of 25,049.40 on turnover of 1.21bn shares, up from Tuesday's 1.04bn. Gainers led losers 534 to 355, with 119 issues unchanged.

The yen's surge to Y141 to the dollar, reflecting Mr Paul Volcker's resignation as US Federal Reserve Board chairman, caused investors to sell a wide range of issues in small lots. Buying interest accelerated later, however, as Wall Street prices recovered on Tuesday.

The market also apparently judged that Mr Alan Greenspan, who will succeed Mr Volcker, would continue to pursue a policy of stabilising the dollar.

Some chemicals drew interest, reflecting the prospect of a sharp improvement in their business during the current fiscal year as demand recovers. Kursha Chemical Industry gained Y70 to Y1,620, Kanogafuchi Chemical Y64 to Y929 and Denki Kagaku Kogyo Y3 to Y763.

Nippon Electric Glass soared Y160 to Y2,050 on expectations of expanding demand for picture tube glass for high-definition television.

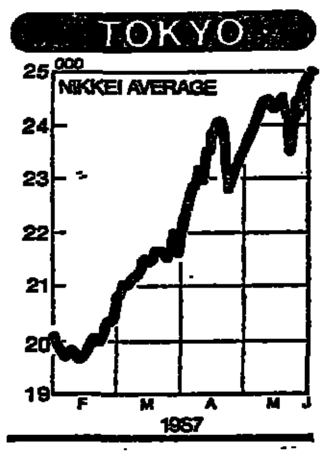
Rumours that the Tokyo metropolitan government would shortly unveil a plan to redevelop coastal areas of Tokyo Bay spurred investors to seek relevant large-capital stocks. Ishikawajima-Harima Heavy Industries advanced Y31 to Y760 on the day's heaviest trading of 70.42m shares, while Nippon Kokan rose Y12 to Y326 and Tokyo Gas closed Y60 higher at Y1,340. Many market participants doubt, however, that these large capitalisation stocks will stay popular for long.

Other large-capital issues were sought. Nippon Steel re-entered the list of 10 busiest stocks in ninth position, with 19.92m shares changing hands, gaining Y3 to Y358. Mitsubishi Heavy Industries finished Y18 up at Y622 and Kawasaki Steel Y4 up at Y266.

Blue chips, particularly high-technology stocks, which market participants hoped would become leading players in the market, weakened as the yen rose. Matsushita Electric Industrial fell Y40 to Y1,050. However, there was no panic selling, as indicated by the small turnover of 5.78m shares for Matsushita Electric Industrial.

Investors, instead, selected smaller capital blue chips favoured by speculators. Fujitsu, on trade of 28.53m shares, climbed Y30 to Y1,040, while Victor Co of Japan (JVC) picked up Y120 to Y2,790.

TOKYO



AUSTRALIA

THE SURGE in the bullion price lifted gold stocks sharply higher in Sydney, prompting strong gains throughout the market. The all ordinaries index closed up 17.9 at 1,776.2.

The gold index leapt 124.5, or 4.1 per cent, to 3,118.87 and the overall resource index was 29.2 higher at 1,165.9.

Among gold stocks, Metana climbed A$1.50 to A$13.80, Placer Pacific gained 35 cents to A$3.85 and Central Norseman 20 cents to A$2.80.

The bigger mining stocks also fared well in the slipstream of golds. Western Mining added 30 cents to A$6.50, MIM picked up 20 cents to A$2.40 and CRA strengthened by 16 cents to A$9.16.

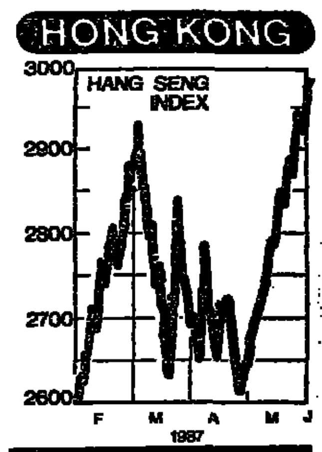
Oil and gas firmed, with Santos 10 cents up at A$6.50 and Oilsearch 15 cents higher at A$1.55. Market leading stock BHP added 8 cents to A$9.50. In industrials, Fairfax strengthened by 20 cents to A$15.20, but News Corp fell 50 cents to A$17.50 to limit the sector's overall gains.

SINGAPORE

EARLY PROFIT-TAKING and the dampening effect of a holiday in Malaysia left Singapore share prices mixed in dull trade. The Straits Times industrial index closed up 2.85 at 1,239.45.

Afternoon bargain hunting helped the market recoup early losses and some issues posted healthy gains. Tractors picked up 22 cents to S$4.82, Parkway TSR 20 cents to S$2.25 and Island and Peninsular climbed 18 cents to S$4.96.

HONG KONG



HONG KONG

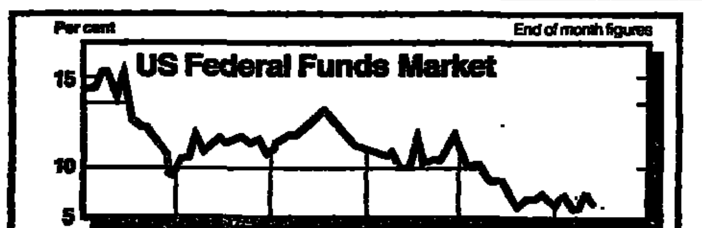
HEAVY BUYING by local and international institutions, particularly of property shares, sent Hong Kong prices surging to a record close. The Hang Seng index was up 50.91 at 2,985.10, surpassing the previous peak of 2,950.81 set on May 28. Turnover was a heavy HK$1.27bn, up from Tuesday's HK$1.04bn.

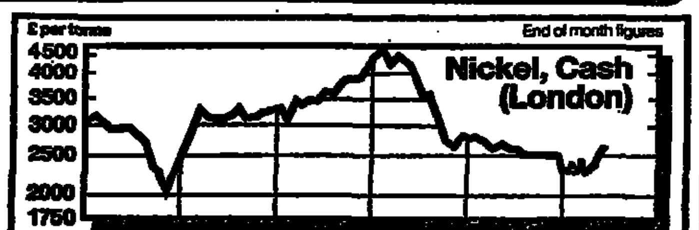
Cheung Kong added 10 cents to HK$11.10 in a buoyant properties sector. Hong Kong Land picked up 10 cents to HK$7.00, New World Development 40 cents to HK$11.60 and Sun Hung Kai Properties rose 30 cents to HK$16.30.

Banks also firmed. Hang Seng was 25 cents up at HK$38.75 and Bank of East Asia 10 cents higher at HK$22.10.

Other quality gainers included Jardine Matheson, by 40 cents to HK$18.20, Swire Pacific A shares, by 70 cents to HK$21.00 and Hutchison Whampoa, which rose 10 cents to HK$12.70.

KEY MARKET MONITORS





STOCK MARKET INDICES

	June 3	Previous	Year ago
NEW YORK			
DJ Industrials	2,320.69	2,278.22	1,870.43
DJ Transport	976.76	966.58	797.88
DJ Utilities	196.86	194.61	188.02
S&P Comp.	293.47	288.46	245.51
LONDON FT			
Ord	1,739.6	1,724.3	1,320.6
SE 100	2,235.4	2,219.6	1,602.20
A All-share	1,111.82	1,106.63	789.31
A 500	1,241.03	1,236.24	892.82
Gold mines	389.7	380.2	224.4
A Long gilt	8.87	8.84	9.25
World Act. Ind (June 2)	130.34	129.50	89.48
TOKYO			
Nikkei	25,049.40	24,902.63	16,669.5
Tokyo SE	2,158.92	2,147.69	1,302.98
AUSTRALIA			
All Ord.	1,776.2	1,758.3	1,220.5
Metals & Mins.	1,105.0	1,065.2	515.9
AUSTRIA			
Credit Aktien	186.52	184.98	241.68
BELGIAN SE	4,501.70	4,535.80	3,618.52
CANADA			
Toronto			
Met.& Mins.	2,759.1*	2,684.5	2,172.0
Composite	3,689.7*	3,676.0	3,096.4
Montreal			
Portfolio	1,844.89*	1,826.8	1,585.19
DENMARK SE			
SE	n/a	205.95	227.56
FRANCE			
CAC Gen	416.30	426.80	359.1
Ind. Tendance	103.10	105.80	82.10
WEST GERMANY			
FAZ-Aktien	580.65	581.13	628.93
Commerzbank	1,757.20	1,760.20	1,901.6
HONG KONG Hang Seng	2,985.10	2,934.19	1,757.91
ITALY Banca Comm.	694.63	698.72	820.86
NETHERLANDS ANP CBS			
Gen	285.00	285.40	290.2
Ind		249.10	268.2
NORWAY Oslo SE	428.82	425.67	352.08
SINGAPORE Straits Times	1,239.40	1,236.60	695.81
SOUTH AFRICA JSE			
Golds	—	2,076	1,227.0
Industrials	—	1,846	1,161.4
SPAIN Madrid SE	229.39	230.35	184.04
SWEDEN J & P	2,169.70	2,631.60	2,373.76
SWITZERLAND Swiss Bank Ind	590.20	619.50	571.0

COMMODITIES (London)

	June 3	Prev
Silver (spot)	467.25p	461.75p
Copper (cash)	£936.50	£929.00
Coffee (July)	£1,309.50	£1,340.00
Oil (Brent)	$18.65	$18.70

GOLD ($/oz)

	June 3	Prev
London	$451.25	$454.25
Zürich	$453.00	$450.75
Paris (fixing)	$452.24	$450.37
Luxembourg	$453.25	$446.50
New York (August)	$455.50	$461.80

CURRENCIES (London)

	US DOLLAR June 3	US DOLLAR Previous	STERLING June 3	STERLING Previous
$	–	–	1.6435	1.6255
DM	1.8070	1.8340	2.97	2.98
Yen	142.80	145.45	234.75	236.50
FFr	6.0450	6.1150	9.935	9.940
SFr	1.4935	1.5215	2.4560	2.4725
Fl	2.0360	2.0610	3.345	3.360
Lira	1,309.50	1,322.50	2,150.5	2,149.75
BFr	37.40	37.95	61.45	61.70
C$	1.3430	1.3375	2.2065	2.1730

INTEREST RATES

	June 3	Prev
Euro-currencies (3-month offered rate)		
£	8⅝	8⅝
SFr	3 11/16	4
DM	3⅝	3⅝
FFr	8 5/16	8⅜
FT London Interbank fixing (offered rate)		
3-month US$	7⅜	7 7/16
6-month US$	7⅜	7 7/16
US Fed Funds	6½*	6 9/16
US 3-month CDs	6.85*	6.85
US 3-month T-bills	5.68*	5.76

FINANCIAL FUTURES

CHICAGO

	Latest	High	Low	Prev
US Treasury Bonds (CBT) 8% 32nds of 100%				
June	90-20	92-22	89-05	89-19
US Treasury Bills (IMM) $1m points of 100%				
June	94.35	94.40	94.29	94.25
Certificates of Deposit (IMM) $1m points of 100%				
June	–	–	–	93.28
LONDON				
Three-month Eurodollar $1m points of 100%				
June	92.68	92.69	92.62	92.67
20-year National Gilt £50,000 32nds of 100%				
June	126.12	126.12	125.30	126.17

US BONDS

Treasury

	June 3 Price	June 3 Yield	Prev Price	Prev Yield
7¼ 1989	100 11/32	7.75	100	7.827
7 1994	92	8.48	92	8.54
8½ 1997	99	8.67	98	8.70
8¾ 2017	98 17/32	8.794	98	8.85

Source: Harris Trust Savings Bank

Treasury Index

Maturity (years)	Return index June 3	Day's change	Yield	Day's change
1–30	163.17	+0.23	6.93	−0.03
1–10	154.63	+0.12	6.66	−0.03
1– 3	144.03	+0.07	6.37	−0.03
3– 5	157.57	+0.17	6.71	−0.03
15–30	193.58	+0.59	7.78	−0.03

Source: Merrill Lynch

Corporate

	June 3 Price	June 3 Yield	Prev Price	Prev Yield
AT&T 3⅞ July 1990	92.82	6.50	93.08	6.40
SCBT South Central 10⅞ Jan 1993	103.25	10.11	103.0	10.17
Phibro Sal 8 April 1996	90.60	9.60	90.56	9.60
TRW 8⅞ March 1996	95.03	9.60	95.31	9.55
Arco 9⅞ March 2016	100.495	9.82	100.20	9.85
General Motors 8⅝ April 2016	83.81	9.82	83.97	9.80
Citicorp 9⅞ March 2016	88.82	10.50	90.24	10.45

Source: Salomon Brothers

* Latest available figures

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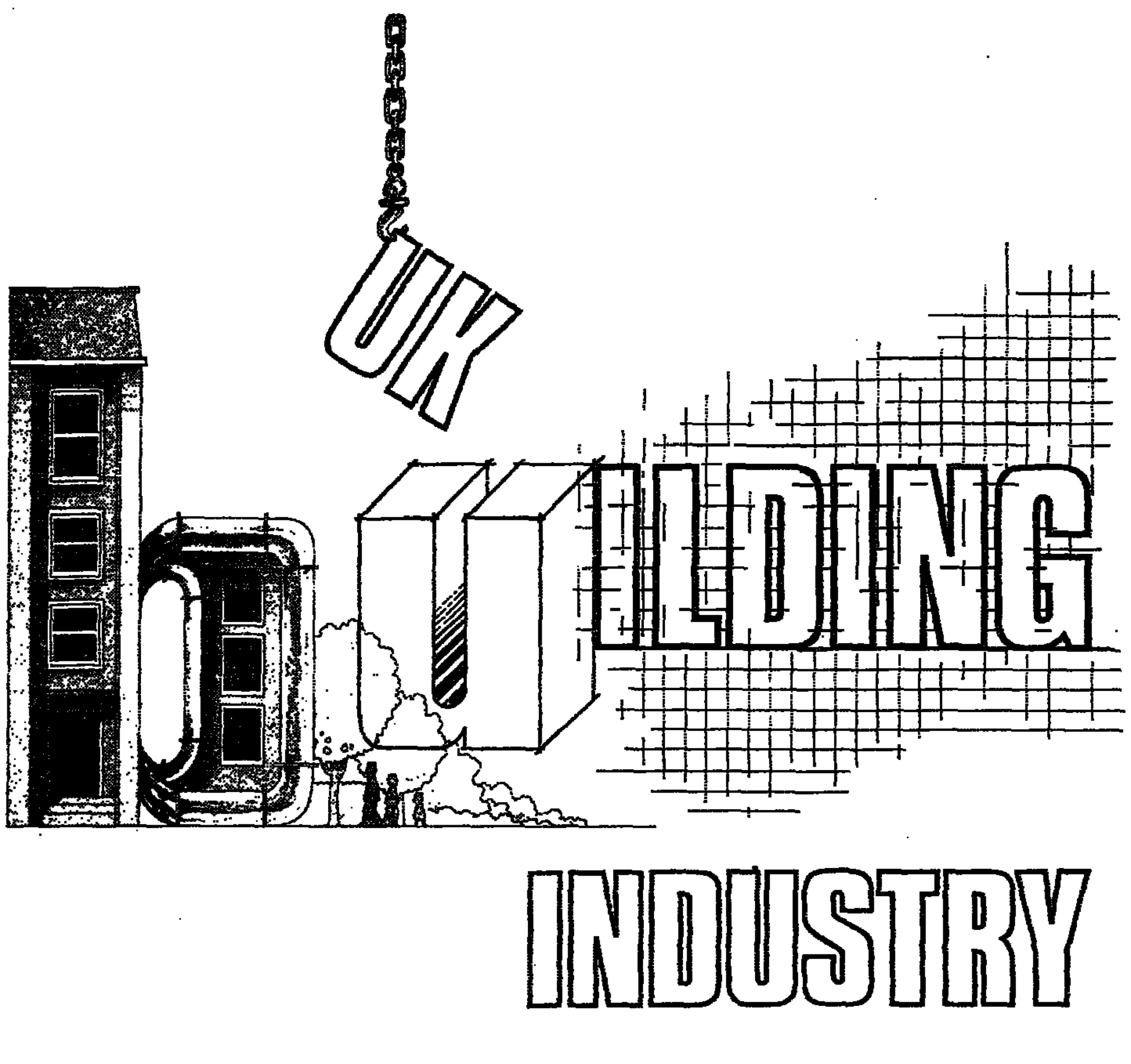
SECTION III

FINANCIAL TIMES SURVEY

This year has seen strong growth in the UK construction industry, with higher workloads and improving profit margins. The buoyancy is also reflected in fuller order books for materials manufacturers and suppliers, as Joan Gray reports here.



CONTENTS

A new mood of confidence

BRITAIN'S building industry is booming.

It has now seen five successive years of growth, resulting in the highest workload levels since 1973.

Fuelled by buoyant demand for new offices, shops and homes for sale, the value of new orders received by contractors grew by 7 per cent in 1986, with still higher workloads forecast for 1987.

"Construction output will continue to grow over the next three years," say analysts Savory Milln, reviewing the prospects for the industry. "We estimate that by 1989 it will stand some 9 per cent above 1986 levels. The rate of growth will be fastest in 1987, and will then slow down slightly in the two following years."

The strength of the current boom is such that optimism has even reached the normally professionally gloomy building industry organisations.

"All the indications suggest that 1987 will be a year of strong growth in the construction industry, with output expected to reach its 1979 peak by the end of the year," the Building Employers' Confederation concluded recently after completing a survey of its members' workloads and prospects.

"All the main state of trade indicators have recorded a further improvement since last year, with 61 per cent of companies saying they will increase their output during 1987," it noted.

The industry is confident, too, of making higher returns. Margins have for some time been kept tight by demanding commercial clients and by the pressure of competition from companies short of work in the more depressed regions all heading for the honeypot of the south east.

Margins are now improving, however, alongside heavier workloads throughout the country.

The confederation's latest state of trade enquiry found that 43 per cent of building companies were expecting tender prices to rise over the next three or four months. Tender prices in the south east were rising ahead of building costs for the first time for many years, it reported.

This confirms predictions in an industry analysis from Gardiner and Theobald, which expected tender prices to rise by an average of 7.5 per cent and up to 15 per cent in 1987, and by an average of 9 per cent in 1988.

The Federation of Master Builders, which represents smaller companies, is also reporting workloads sufficiently high for its members to be finding it hard to cope with some shortages of skilled men. The shortage of adequate skills "could be a time bomb, ticking away in the industry's future performance", warns Peter Davis, a director of Lovell Group and president of the London Region of the Building Employers' Confederation. Some delays in getting supplies of basic materials, such as common bricks, are also being experienced although this is not yet seen as a significant problem by the BEC.

This buoyancy is also reflected in fuller order books for materials manufacturers and suppliers.

The National Council of Building Materials Producers says its members are confidently expecting to increase both output and investment this year following a strong increase in sales and output in 1986. Some 38 per cent of materials producers reported an increase in output of 5 per cent or more last year, and 44 per cent were expecting a similar increase in 1987.

"Company managements are generally optimistic about their 1987 business prospects and investment is generally expected to increase over the next year, mainly directed towards plant and equipment and increasing efficiency," the BMP concluded.

Similarly, the Builders' Merchants Federation, whose members distribute materials worth £5bn a year, is reporting sales up by an average of 6.4 per cent this year compared with a year earlier, with growth up by 8.7 per cent in the south east, 9.4 per cent in the south west, and 11.5 per cent in the currently most bouyant region, the East Midlands.

Indeed, evidence suggests, the building boom is no longer confined to the south, but is spreading throughout the country, with higher leads of new work in Yorkshire, the Midlands, Wales and the north.

"The figures have shown that the industry has been technically recovering for some time, but now the contractors themselves are really beginning to believe it," Mr Jack Newby, director of the Building Employers Confederation, notes.

Growth, too, has been based on private sector work, with the result that the industry is much less vulnerable to changes in government policy and cuts in public sector workloads, compared with the 1970s.

"We've had to learn to market ourselves to private clients, and to tighten up our management, our administration, and our manning levels," Mr Newby observes.

While private sector workloads have increased substantially, public sector contracts have suffered under a government determined to control spending.

The private sector share of total building industry output has risen from 53 per cent ten years ago to 60 per cent now, with the greatest cuts having fallen on public sector housebuilding.

The number of new council homes built has fallen from 47,300 in 1979 to 17,200 in 1986, and the value of new orders received for building them has fallen from £1.2bn in 1979 to £633m last year.

The effects of the move to the private sector are clearly spelt out in a study carried out by the department of construction management at the University of Reading*, comparing the performance of the British and US building industries.

When the two industries were first compared in 1979, US building was 1.7 times faster than in the UK, but UK projects now take an average of only 1.07 times longer than US projects per unit area, with the difference due mainly to the greater complexity of UK buildings.

The less frequent use of standard and prefabricated components, and the greater number of design changes UK contractors were expected to incorporate during the construction process, are also factors.

The major push behind this improvement in UK performance has been increased competition and the need to work for private clients, said the Reading report.

"Commercial clients are no longer willing to play a passive role but are increasingly demanding that construction be on time and within budget," it concludes.

"And private clients are more likely to be in favour of contractual systems that remove the adversarial role of the contractor." It is this demand for a contractor who will be on the client's side and offer a "hassle-free" approach to building that has led to the rise of the various approaches to contracts that go under the names of construction management, management contracting, and design and build.

All are aimed at offering the same thing; an approach to construction which will give a client his new building on time and within budget.

Builders are also getting involved earlier and earlier in the construction process, to help make sure that the design can be built quickly, and to help schedule building so that work can start on site while the designs are still being finalised.

Thus the appointment of the construction management company Sir Robert McAlpine was announced seven weeks before architect Mr Robert Venturi had so much as unveiled the model of his proposed design for the £25m extension to the National Gallery in London's Trafalgar Square.

The value of new orders received by contractors for commercial building—which includes offices, hotels and leisure centres as well as shops—has increased by 92 per cent since 1979, with a 17 per cent increase in 1986 alone and there are, as yet, no signs of growth slowing in this sector.

Office building has boomed, too, in the wake of the Big Bang, and there are indications that the retail and leisure sectors are set for continued growth.

Retail building has boomed with the growth in consumer spending and real disposable incomes—both of which are tipped to rise by at least 3.5 per cent this year—and by a growing tendency for people to treat a day out in a shopping centre as a popular leisure activity.

There is also still a large unmet demand for shopping centres, according to stockbrokers Messel. Messel forecasts a further six years of growth among food superstore operators, with an assumed saturation limit of 650 to 700 large stores compared to the 432 now in existence.

Private sector housing starts are now running at their highest level since 1972, and high house prices are boosting the profits of all the major builders, with a further boost provided by the windfall earnings resulting from using land purchased at historically low prices for today's expensive houses.

Barring moves such as the abolition of mortgage interest tax relief or dramatic economic or political change, the outlook remains good.

***A Fresh Look at the UK and US Building Industries, a report prepared for the BEC by the Department of Construction Management, University of Reading, 1986.*

Labour's John Cunningham, Environment Secretary Nicholas Ridley and John Cartwright, Alliance: the political fray and party programmes are less likely to rock the building industry now that it is operating from a reliable base level.

Political background

The City will count as much as Westminster

INTENTIONAL or not, one result of eight years of Thatcher government has certainly been to sever the umbilical cord which had previously made the industry so dependent on governments and so vulnerable to being a proverbial "economic football."

The process of having to rely more on private investment has been accompanied by a Cambridge Diet-type regime—difficult to swallow at the time but resulting in a more fit and lean industry. It is now experiencing healthy growth, from a low but realistic, sustainable and, most importantly, reliable base level.

"What we have been through over the past eight years has not been easy or pleasant, but it has been necessary," says Wimpey's chairman, Mr Cliff Chetwood.

"I cannot believe that anyone who experienced the previous stop-go policies, the strikes and the raging inflation would wish to return to the old days."

The building and civil engineering employers have never wavered from their support for the Conservatives, even in the darkest days of the slump in 1980-81. This position has always made it difficult to set up a credible all-industry lobby group, although one has been in existence since 1976.

The group was set up at the initiative of the Royal Institute of British Architects in the days of the Callaghan Government. It includes two building union leaders, as well as the presidents of the RIBA, BEC, FCEC, ICE, RICS, and the Building Materials Producers.

At the time of the group's formation (the days of beer and sandwiches at No 10) it was unthinkable not to have union representatives, but their presence has always made it difficult for a strong and united line to be adopted by the Group of Eight.

It was often compared unfavourably with the highly effective NFU by Michael Heseltine who, as Environment Secretary, found it easy to resist the Eight's pleas for more public spending on construction: after all, the employers would ultimately support his party—and the unions would not—regardless of what he did.

It was the Conservative's traditional response to such pleas that they did not believe in throwing money at problems, such as those of the building industry, but in creating an "economic climate" conducive to free market success and prosperity.

According to Mr Jamie Stevenson, an analyst with stockbrokers Wood Mackenzie, they have all but succeeded in taking the politics out of construction, with the exception of housing.

"The election's impact on the industry should not be exaggerated," he says. Its fortunes are now governed as much by what happens in the City as by what happens in Westminster.

For instance, the return of a Labour Government would see a short-term construction boom, since Labour has always seen public sector house-building and repair and maintenance as a vital plank of its One Million Jobs programme.

Mr Stevenson argues that within 18 months the rise in public spending would, however, bring in its wake higher interest rates and loss of confidence in the private sector which could easily cancel out the earlier benefits.

A similar scenario is painted for an Alliance or Alliance/Labour coalition government, although City confidence need not collapse if SDP pro-Europeanism took Britain into the EMS.

He recalls the industry's profound slump in 1980-81, when real earnings were eroded by high inflation, when rising unemployment crippled the demand for private housing, corporate earnings plummeted (especially in manufacturing—down 2 per cent return on capital in 1981) and investment in public housing was reduced to about a fifth of its levels of the mid-1970s.

Since then, it has been "all change for everything," except public sector housing, always the most politically-loaded of all sectors.

The Conservatives have sought either to break down the "*private owners, vote Tory; council tenants, vote Labour*" syndrome, or at least turn it to their advantage. The massive Right to Buy campaign and the freeze on capital receipts were to ensure that tenants-turned-occupiers were not simply replaced by other Labour-voting tenants.

Mr Stevenson suspects a third term for the Conservatives would lead the Government to abandon even their present benevolent patronage of the voluntary sector (housing associations) in favour of more robust private ownership. This would make their current stand on the inner cities seem somewhat cynical, and certainly bring their policies into very sharp conflict with those of the Alliance and Labour, both of which see a need for many more homes to rent.

The Conservative panacea, a revival of the private rented market, has recently been found to be "a financial nonsense" by the Housebuilders' Federation, at a politically embarrassing time—but then the Housebuilders' Federation is in the business of demonstrating that it, *and it alone, can solve the housing* crisis—and only if the Government relents on that other politically hot issue: the release of more land for development in the high-demand areas.

The Alliance's Mr John Cartwright insists, however, that "we are all about stability. We can prevent the industry being used as an economic regulator and suffering the consequences of workers being made redundant and firms going bankrupt."

Many in the industry believe that housing will continue to be politically contentious until the recommendations of the Duke of Edinburgh's inquiry are taken on board by all three parties, and there could be an advantage in having a special Department of Housing with a cabinet-level minister, sought by the Liberal Party and the HBF. That aside, though, a lean but healthy building industry is now standing on its own two feet and appears to have the good sense to want to stay that way.

Mira Bar-Hillel

The most successful materials producers have been suppliers to the private house-building and refurbishment market

Materials producers

Reaping the fruits of heavy investment

BRITAIN'S building materials producers, now enjoying a sixth year of recovery, closely fit the paradigm of a manufacturing industry emerging "leaner and fitter" from the Thatcher years.

Output has yet to return to 1979 levels but the profitability of the major material producers has been transformed by heavy rationalising and modernising of their UK plants and by substantial overseas investment, particularly in America.

Pilkington, BPB, Redland, RMC and Tarmac are all now reaping the fruits of heavy investment programmes made during the 1980s. Each has improved margins and productivity and, as dependence on the UK building cycle has been reduced, each has also been re-rated upwards on the stock market.

Most successful have been suppliers to the private house-building and refurbishment market. Ibstock Johnsen's UK trading profits rose by 10 per cent, Steeley's by around 18 per cent and Tarmac's quarry products profits by 11 per cent during 1986; a bumper year when new private starts reached their highest level for 13 years and deliveries of plasterboard, concrete roof tiles and bricks all rose by 8-10 per cent.

An industry survey, covering the year to April, by the Building Materials Producers, showed that 53 per cent of companies making "light" materials—mainly targeted at housebuilders—increased output by 5 per cent or more; throughout the entire industry, 38 per cent of companies reported similar increases.

The momentum has continued into 1987—private housing starts up 21 per cent on a year ago in the first quarter—and the recent falls in interest rates will reinforce the increasingly important diy and repair markets. (They will also cut financial costs in what is a highly-geared, capital-intensive industry.) Prices have also been rising more vigorously with 17 materials increases recorded in February. Brick prices now stand some 15 per cent above the level of a year ago.

Indeed, one pressing problem is shortages of key house-building materials. Delivery dates for some fletton bricks supplied solely by London Brick, part of Hanson Trust, now extend to September. A scarcity of the aerated lightweight blocks made by—among others—Marley's recent acquisition Thermalite has also emerged although, like London Brick, it is laying on new capacity. Shortages of Pilkington flat glass have also been reported.

But elsewhere the industry is under less pressure and the BMP survey showed overall 61 per cent of respondents operating at a "satisfactory" level of capacity. Investment was expected to increase and to be aimed at increasing efficiency rather than capacity.

The outlook for demand is broadly optimistic, with 44 per cent of companies predicting output rises of up to 5 per cent during 1987—a year when total construction activity is expected to rise 4 per cent, in real terms.

Many producers are continuing to benefit from the strength of the second-time buyers, trade-up, market where "curbside appeal" counts heavily. Specifiers have turned increasingly to the quality brickmakers such as Redland, Ibstock Johnsen and Steetley. (Brick-makers have also gained ground in the buoyant office building market.)

Rising land prices, particularly in the south-east, have made the cost of materials less significant to house-builders, who have used more highly priced products such as clay roof tiles, also made by Redland and Ibstock Johnsen. Imported doors and kitchen units which carry a higher design reputation, have similarly benefited.

Other changes in fashion have had a more dramatic effect. Timber frame's share of new private housing starts fell dramatically from 24 per cent in early 1983 to 6 per cent by the end of 1986 after a television programme criticised this method of building, although the sector has since recovered slightly. Similarly, specifiers' preference for steel has helped it gain ground from concrete in the office building market.

But it has been extra public spending, mainly on roads, which has also helped the heavy materials producers. The trade body, the British Aggregates Construction Materials Industries (BACMI), recently reported a sudden leap of 21-22 per cent in first quarter demand for crushed rock, sand and gravels and road-surfacing materials, reflecting higher increased government and local authority spending in late 1986-87.

As with other material producers, the upturn has been concentrated in the south of England.

Among the "heavy" producers, recent attention has centred on the cement-makers where cutbacks continue—most notably at Blue Circle—in the wake of the abolition of the industry's 53-year-old Common Price Agreement in February.

Some anecdotal evidence of price-cutting has appeared but no major cement customers have reported large discounts, and deliveries are expected to rise 3 per cent this year. Cement-makers are more concerned by the threat posed by cheaper cement substitutes and extenders such as pulverised fuel ash and granulated slag. These account for 5 per cent of the UK market, but the stockbrokers Savory Milln expect this level to double in the near future. All three manufacturers are now involved in supplying a substitute.

Cement has also figured in the British material producers' diversification into America. Last year British producers spent over £1bn buying US cement, gravel, ready-mix concrete and other similar companies.

Brokers estimate that this year the US will be the source of around 35 per cent of Redland's profits; 24 per cent of Tarmac's; 31 per cent of Blue Circle's; and 10 per cent of RMC's. C. H. Beazer has been particularly active and now ranks as America's sixth largest cement maker since acquiring Gifford Hill last year.

Stockbrokers Wood Mackenzie say the British are exporting their experience in managing cyclical markets to extract higher returns and long-term growth from businesses which their US owners had used as low-tech cash cows. Although the lower dollar has made the investments look less attractive to the British, the City still regards the long-term strategy as sound.

Certain clouds do loom at home, however. The housing cycle is believed to have peaked.

Moves in the European Community to harmonise standards between building material manufacturers in the Community have also caused concern.

Sir Colin Corness, Redland chairman, said recently that British producers stand to be "severely disadvantaged" in export markets, leaving an open door to imports if the British did not move to promote the adoption of British Standards in Europe, rather than the comparable French or West German standards.

As it is, the industry's trade position is deteriorating. Last year, non-timber building material imports were worth some £850m more than the £1.46bn building material producers earned in exports. However, as Sir Colin points out, the difference is more than offset when the British producers' repatriated overseas profits are taken into account.

William Fishlock

Manpower

Skill shortages push up costs

A SHORTAGE of skilled labour and professional construction staff has become one of the most pressing concerns for Britain's building contractors during the current upturn in the industry.

Scarcities affect a wide range of personnel ranging from quantity surveyors to bricklayers and have pushed up wages and salaries, particularly in the south-east, and acted to constrain any improvement in contractors' already thin margins.

Mowlem Building, a subsidiary of John Mowlem which builds in the south-east and London, recently reported higher turnover but "disappointing profitability, reflecting the rising cost of resources in a relatively buoyant market". Sub-contractors' rates, particularly for bricklayers and mechanical and electrical engineers, had risen, reducing margins on contracts taken on two years ago, said a spokesman.

Mr Eric Parker, Trafalgar House's chief executive, warned recently of a danger of overheating in the industry through shortages of specialist sub-contractors, particularly bricklayers in the London area.

House-builders are also concerned. In March, the House-builders' Federation warned that apart from a scarcity of land, "another major constraint in areas of greatest demand is the lack of skilled labour." More than a third of its members cited labour availability as a constraint on sales.

Rising costs are expected to translate into a 7 per cent rise in overall contractors' tender prices in 1987 in the south-east, the largest rise since 1979.

The onset of a series of giant commercial building projects in the south-east was bound to produce "overheating in the region," according to a report by the quantity surveyors Gardiner & Theobald. Last September they identified 13 large projects in the south-east which amounted to £2bn of construction work annually over 1987-1992. They included City of London projects, valued at £1.5bn; six Docklands schemes worth £5.2bn; the extension of Stansted Airport, valued at £490m; and Eurotunnel, £2.6bn.

All the projects were technically complex and the report warned that the "pool of management expertise to such mega-projects is limited."

But it has been the commercial and office building market which has produced the heaviest demand for professional staff. The value of architects' commissions for new non-housing projects rose a remarkable 50 per cent during 1986, according to figures from the Royal Institute of British Architects.

This produced a situation where "good people are more aware of their value," according to Kit Evans, a partner with Building Design Partnership, one of Britain's largest architectural practices.

A higher workload has prompted the practice to recruit an extra 110 staff—an increase of 58 per cent—for its London office, during the past year.

National shortages of architectural technicians and, particularly, building surveyors, have also been reported. Even in Liverpool, E. C. Harris & Partners, a quantity surveying firm which operates nationally, has had some difficulty recruiting more building surveyors.

The shortages have been reflected in the recruitment pages of the construction industry press. The magazine, Building has seen its classified recruitment advertising pages for professional staff rise from an average of 25 pages per week in 1986 to around 40 pages per week this year.

"The shortage of adequate skills could be a time bomb, ticking away in the industry's future performance," warned Peter Davis, a director of Lovell Group and president of the London region of the Building Employers' Confederation.

A recent survey on skill shortages among members of the Federation of Master Builders (FMB) showed that 78 per cent of companies were reporting difficulties in finding carpenters. The figures in other skills were 61 per cent for bricklayers; 25 per cent for plasterers; and 18 per cent for mechanical engineers. Anecdotal reports suggest that wages for bricklayers in London have risen by 20 per cent already this year to around £60 a day.

Nor is the skill-shortage problem confined to London, where more than half of building companies report shortages in the FMB survey. Some 38 per cent of companies in the North West and Wales report difficulties, with 47 per cent in the east, and 44 per cent in the south-west.

Most companies blame shortages on the decline in training as hard-pressed main contractors have scaled down their direct labour forces during the recession and have sub-contracted out much of the actual building work. The number of "labour-only" sub-contractors—normally small operations which take on few apprentices—has doubled in the past decade.

The result is that while construction output has risen slightly, the number of new apprentices registering in the industry has fallen by 37 per cent from 14,035 in 1980 to 8,729 by 1985. The total number of apprentices undergoing training in the industry fell from 35,442 in 1976 to 16,778 in 1985.

Mr Peter Davis warns of "insuperable problems" if nothing is done to reverse the decline of training which has accompanied the growth of these labour-only sub-contractors.

Under recommendations from Mr John Patten, the Housing and Construction Minister, the Construction Industry Training Board the industry body, has recently drawn up plans to find places for 3,000 new craft apprentices in the industry. The experience of John Laing, which receives around 50 applications for each new place it offers, suggests that young people will come forward.

The Union of Construction, Allied Trade and Technicians (UCATT), the main building workers' union, blames the decline in training on government cuts which have reduced the industry's workload. It recently described the problem posed by shortages as "vastly exaggerated" and adds that 400,000 building workers remain unemployed in Britain.

But many in the industry believe that skill shortages cast doubt on the feasibility of the large infrastructure programmes being proposed by the opposition parties. The Labour Party's proposals to create some 250,000 new jobs in construction within two years would draw heavily on craft skills, particularly for housing renovations, which are already in short supply.

William Fishlock

Housebuilding

Thriving as prices and profits soar

THE NUMBER of new houses being built is now at the highest level for 15 years, prices are rocketing, and builders' profits are benefitting accordingly.

Britain's biggest construction company and biggest housebuilder, George Wimpey, reported pre-tax profits for 1986 up 42 per cent on the previous year, with an estimated 53 per cent of its profits coming from housebuilding.

Another fast-growing construction company, Beazer, saw its housebuilding profits up by 13 per cent; contractor John Laing, which gets 56 per cent of its profits from housebuilding, saw earnings rise by 26 per cent; Sir Alfred McAlpine saw housing profits increase by 41 per cent, and Bryant Holdings reported a 91 per cent increase in pre-tax profits, largely because of a 25 per cent uplift in the average selling price of a new home, improving its housing division's margins.

Despite predictions last year that the industry was due for a cyclical downturn, or that it would suffer from a shortage of good building sites as a result of the restrictive government policies, housebuilding is thriving as prices soar and Britons continue to regard buying their home as their best investment.

The number of new houses for owner-occupiers being built in Britain has now reached its highest level for 15 years, according to he National House-Building Council.

Private sector house-building starts in the first quarter of 1987 were 46,000—20 per cent higher than the first quarter of 1986 which was itself a record year with more houses built than in any year since 1973. It puts the industry in line for the highest level of housing starts since the even bigger boom of 1972.

Nor is the current house-building boom confined to the prosperous south-east. The north, north-west, Yorkshire and Humberside regions have all showed a 16 per cent increase in starts over the year.

The continuing high level of starts has also defied predictions that new housebuilding would be hit by a decline in buyers' purchasing power as a consequence of prices continuing to rise ahead of inflation.

Instead, the current high level of starts has actually taken place at a time when the NHBC first time buyers' ability-to-buy-index (used as an indicator of the state of the whole market) has dropped, from 87 in the last quarter of 1986 to 83.

The subsequent lowering of interest rates has now put the index back up to 86.

Barratt, which has vied with Wimpey in recent years for the title of Britain's biggest housebuilder, has switched to building fewer—but more expensive and more profitable—homes, and Tarmac has emerged to challenge Wimpey for its title.

Barratt is now planning to build only 8,500 homes this year, compared to Wimpey's 10,700 but Tarmac, with its 20 separate local house-building subsidiaries, all selling under different names and with different identities, is planning to build at least 11,000 houses this year.

It is gearing up to build more than 16,000 homes a year by 1990—a target far higher than that announced by any other company.

"We want to build 10 per cent of the new houses in Britain, and if that makes us number one so be it," Sir Eric Pountain, Tarmac's chief executive has said.

He plans to grow the business organically, he says, by expanding each of his companies to an output of 750 houses, while leaving them independently staffed and without "imposing a particular house style throughout the country but leaving it to individual managers."

Wimpey, by contrast after three years of reducing jobs and disposing of unprofitable subsidiaries and sectors which required too much investment—everything from builders merchants to model making—is in no mind to be expansive, even with its biggest profit earner.

"The philosophy of the company is to get a return on assets employed and not inject money," Mr Cliff Chetwood, the Wimpey chairman observes.

"We're not putting an endless fortune into buying land for housebuilding."

He plans to maintain Wimpey Homes' output at approximately the same level as last year—when 10,712 homes were sold—with higher earnings due to come from a shift to the country's most profitable area, south-east England.

Wimpey now has half of its sites in the south-east, where the margins are highest, even though it has cut the amount of capital it has tied up in land by reducing the number of plots it holds from 36,000 to 30,000.

Changes have taken place, too, in the market segments the big groups are aiming for.

The high price of land has made it uneconomic to build for first-time buyers, and more profitable to concentrate on building for more affluent purchasers.

The two key markets now are building more luxurious homes for trade-up buyers, and for elderly purchasers who want to sell their family home and retire to something more convenient.

Barratt, for example, has cut its output of first time buyer homes from 75 per cent in 1983 to 45 per cent; Wimpey has made a similar cut, and is now concentrating on increasing its output of "high class luxury housing," with large four and five bedroom houses on "selected developments throughout the country" and luxurious London flats.

A House-Builders Federation survey, covering 345 companies responsible for 46 per cent of the houses built in Britain, found that only 30 per cent of their output was for first time buyers in 1986, compared to 37 per cent the year before.

The HBF blames this on the high cost of land making it hard for builders to meet the needs of poorer purchasers.

But the move towards executive-style homes is also soundly—and profitably—in line with demographic trends.

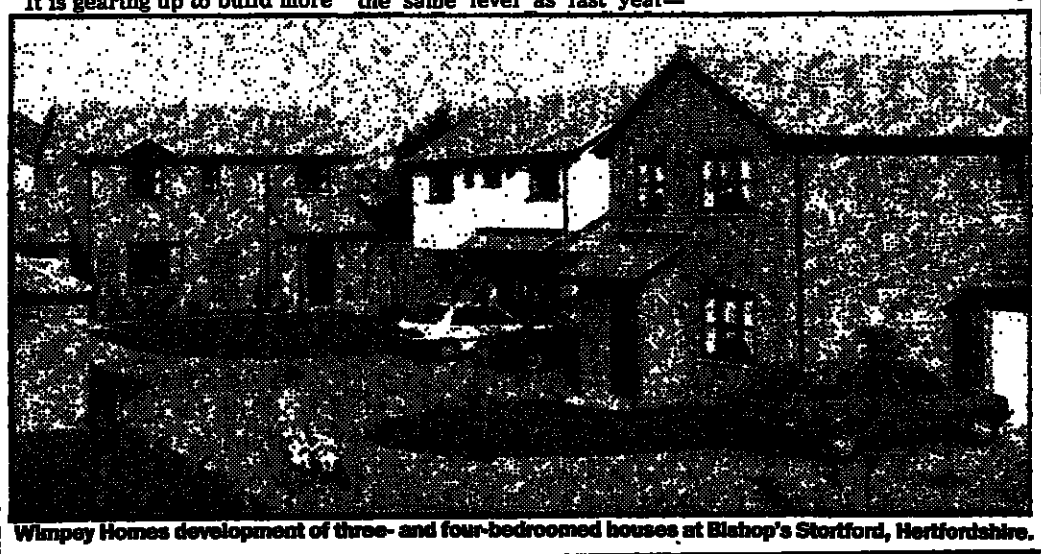
In 1986 the largest sector of buyers in the population were those aged between 25 and 34.

This age group is expected to have increased by 11 per cent at the start of the 1990s; and has been shown to prefer the more spacious properties, and to be able to afford them.

The ability-to-buy-index for this sector of the population will have been improved by the fall in the mortgage rate and increasing real disposable incomes, just as the purchasing power of first time buyers.

Joan Gray

The high price of land has made it uneconomic to build for first-time buyers, and more profitable to concentrate on building for more affluent purchasers.



Wimpey Homes development of three- and four-bedroomed houses at Bishop's Stortford, Hertfordshire.

The electorate does not want green land used for housebuilding.

Land availability

Pastures new refused

HOUSEBUILDERS' hopes that the Government might relent and release more green land for building have been dashed over the past year.

The Department of the Environment is now headed by the greenest team for years, and ministers have made it abundantly clear that they are determined to keep housebuilding out of the countryside.

Green belts—and green fields—are electorally popular, and no matter how much the builders may complain that the scarcity of new sites is helping to force up house prices, the countryside remains immune from attack—at least until after an election.

"There are very strong democratic pressures against greenfield development, and a democratic government would be foolhardy to ignore them," said Mr Nicholas Ridley, the Environment Secretary, announcing that the Government was to spend £550m a year on urban development schemes to help keep building in the cities. "Last year 47 per cent of all development took place on recycled or erstwhile derelict land, and we hope it will be even higher this year."

But while Mr Ridley may hope that, as the Government puts more money into helping clear up urban dereliction, private industry should find it has the financial stability to get on with building away from the green fields, the housebuilders are not so sure. They claim that the Government's policy of forcing them to build on derelict land in the cities will neither provide cheap homes nor offer an alternative to building in the countryside.

According to a study carried out by the House-Builders Federation, building in the cities is beset by two key problems:

- In London, where demand for housing is strongest, housing waiting-lists are long and prices rose by 25 per cent last year, local authorities are often bitterly opposed to private development; and even derelict sites are scarce and expensive.
- In the old industrial areas, where there is plenty of derelict land and co-operative local authorities, private housebuilders can still not build homes on it at competitive prices.

In Salford, for example, refurbished council flats are available for less than £15,000; and in Leeds and Middlesbrough an older terrace house can be bought for £10,000—but the housebuilders cannot build a new home for less than £20,000.

Difficulties in London are compounded by the fact that even the most unglamorous sites can command prohibitively high prices. A redundant gas works in Stepney, one of East London's tougher areas, will sell for £750,000 an acre, because of its proximity to trendy Docklands; and in fashionable Wapping, on the River Thames, the price of land has shot up to more than £4.5m an acre.

Without some sort of subsidy or partnership arrangement with local authorities, it is hard to make the inner cities yield cheap homes.

Despite all the problems they claim to encounter, the housebuilders' pleas for more green land have so far fallen on deaf ears. And it looks as if they will continue to do so until after an election, when, the builders hope, a Conservative Government may one day listen to their claims. There is some confusion about the Labour Party's policy towards the green belt.

Meanwhile, the Government has turned down all the builders' attempts to get their hands on more land. It has rejected plans put forward by Britain's biggest housebuilders to build a new country town for 15,000 people on protected green belt farmland at Tillingham Hall, in Essex.

"There is no justification for allowing this development in the green belt," said Mr Ridley. "There is a five-year supply of housebuilding land available in Essex, and even if there were a crisis in the supply of housebuilding land the builders have failed to show that it would be necessary to take land from the Metropolitan Green Belt in order to meet it."

The builders' requests to be allowed to use surplus agricultural land for development have also been refused.

Reports of the countryside being covered in concrete were dismissed as "codswallop" by Mr Michael Jopling, the Agriculture Minister, announcing his plans for land not needed for food production as a result of changes in European Community farm policy.

"We do not intend to allow developers to devour our green and pleasant land," he emphasised. Farmers would not be encouraged to sell their spare acres for building, although "sensitive developments," involving "one or two" houses, would be permitted, as would the conversion of redundant buildings into houses or workshops, since this would help the rural economy.

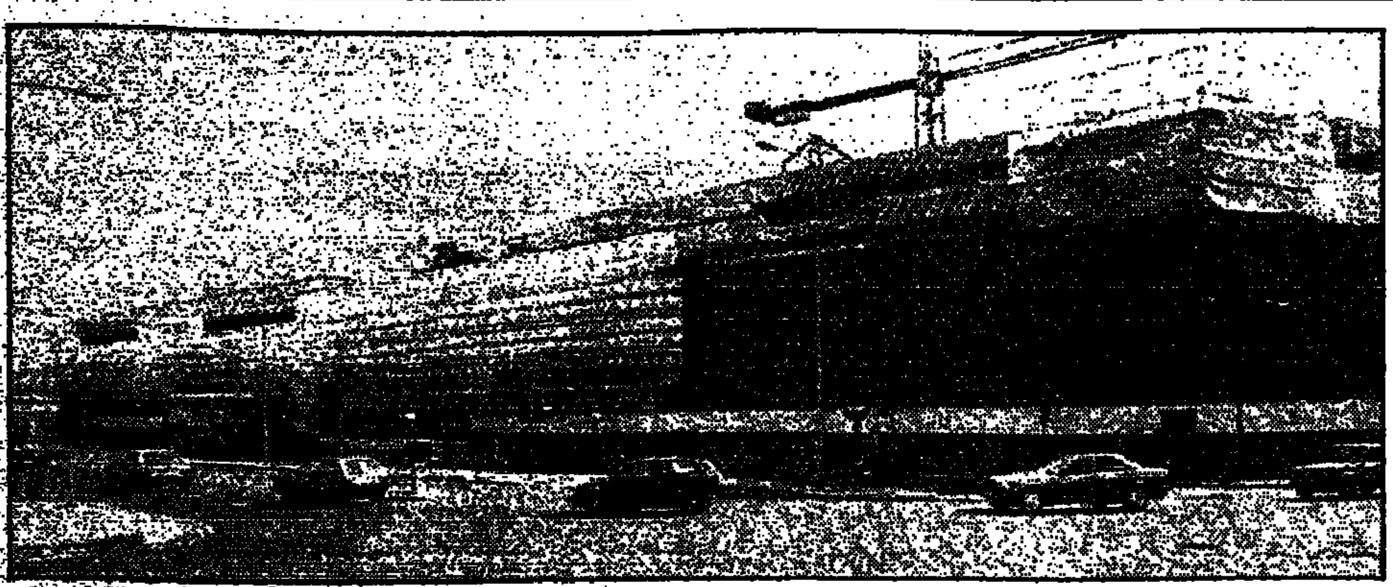
Builders' final hopes for new green land were killed when the Government issued new planning guidelines for hospitals in the green belt which had become surplus to health requirements. Housebuilding will not be allowed on these sites, which must be kept for uses compatible with the countryside.

But although the builders may complain about the high cost of scarce land pushing up house prices—40 per cent of the cost of a house in the south-east is now accounted for by the site—and though the HBF may complain that an "inadequate supply of land to meet demand" is the major constraint on its members' output, there is little evidence that the industry is suffering.

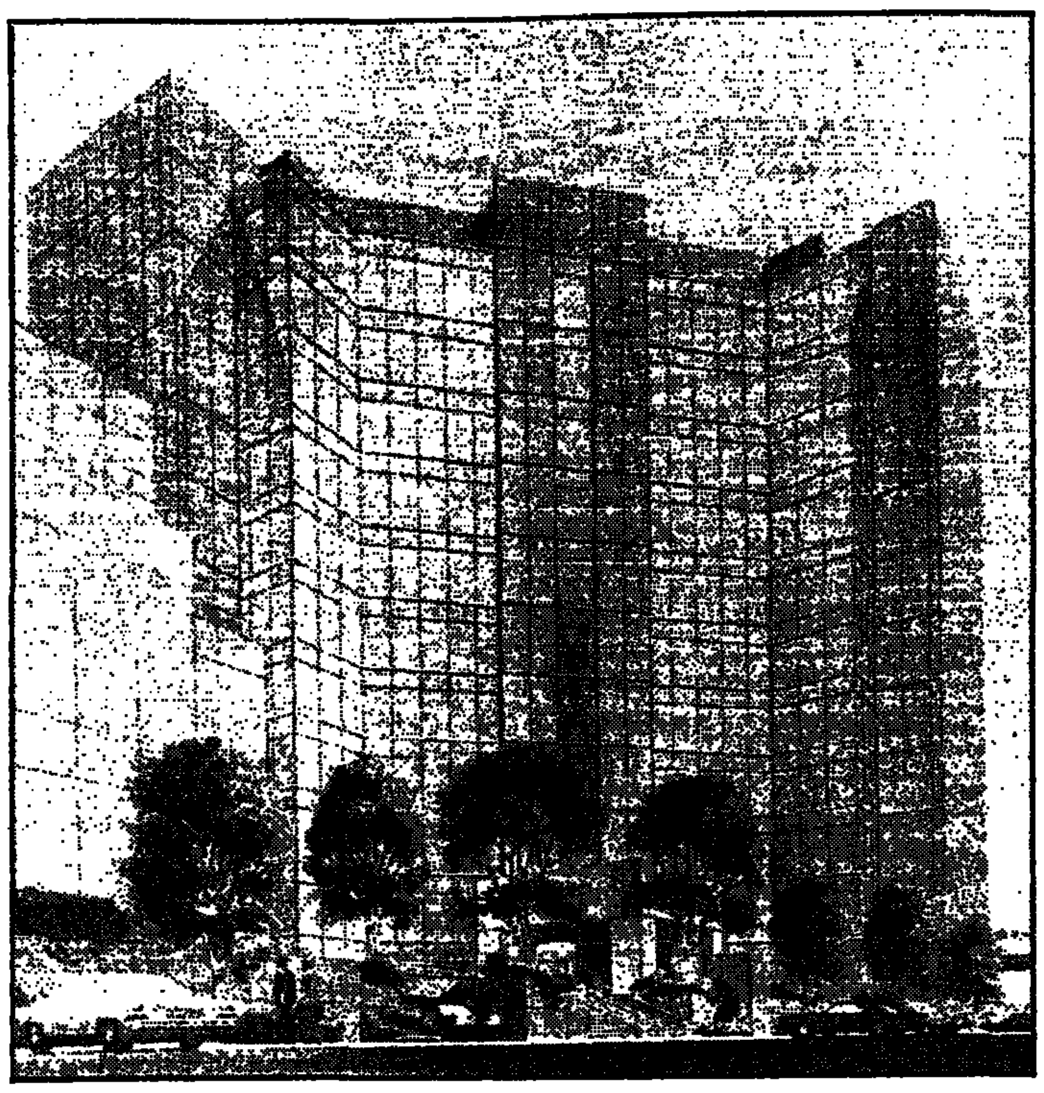
Profits are up. The number of new houses being built for sale has reached its highest level since the boom of the early 1970s. Housebuilding is one of the industry's two best performing sectors.

"The old bearish tune about land costs is out of step as well as unimaginative," said Mr Jamie Stevenson, industry's analyst with Wood MacKenzie. "The shrewder housebuilders have years of monopoly profits built into their existing land banks."

Joan Gray



Left, part of the Galleries, a £30m shopping development in Wigan town centre being constructed by Fairclough Building. The six-acre scheme will give five major stores, around 70 shop units, and parking for over 600 cars



Artist's impression, right, of Block 3, Harbour Exchange, in the Isle of Dogs Enterprise Zone, London. The 11-storey office building will have modular floors, suspended ceilings, and advanced services, including air conditioning, throughout. It is scheduled for completion in mid-1988

Commercial property

Planning changes mean more work

THE DYING DAYS of the Government produced two decisions which have given the property industry more flexibility. The long-awaited changes to the Use Classes Order appeared and a new modified planning system for farmland, downplaying the role of agriculture, was introduced.

It is too early to say how the property developers will handle the opportunities that should be thrown up by these decisions, but sooner or later their effect will filter down to the construction industry.

The Use Classes Order, which designates the purpose for which a set of premises might be used, has been relaxed to the extent that, in its most important change, the office and light industrial class has been merged into a new business class.

It will now become possible for light industrial premises to be turned into office use, so removing changes from planning control where such changes have no adverse environmental effect.

The effect could be profound. It is possible to imagine industrial landlords in urban areas converting more premises to offices. It may be that the high tech business parks which have spread through the south east will have a higher office content. Substantial refurbishment possibilities, after the order comes into effect on June 1, are opening up.

Changes in the Use Classes Order fit into the pattern of greater flexibility that the Government has been trying to create in the town and country planning system. So, too, do the changes for farmland, although the motive is different.

While the changes in the Use Classes Order reflect changing demand among property users, the farmland planning issue reflects an attempt to come to terms with the fact that, with the accumulation of Western European food surpluses, agricultural land is not necessarily best used for farming.

Although individual local authorities retain control over the planning for farmland in their own areas, they have been told to take into account issues other than farming in deciding whether to give permission for development.

It is true that the Ministry of Agriculture still has a consultative role to play in settling planning applications on the more fertile land. But there does exist now the greater possibility of property and building development in the rural areas than existed before.

Certainly the Government has not gone as far as the property and building sectors would like. It is not prepared to countenance tampering with the Green Belt, nor with National Parks and Areas of Outstanding Natural Beauty.

Still, here is a new element in the development mix, which itself has been churning at an accelerated pace. Short of a savage undermining of confidence because of the general election, there seems little reason to suppose that existing trends will change over the next year.

And these trends can be encapsulated into three sectors: high demand for retail property nationwide; high demand for office premises in certain regions; and a patchy demand for industrial accommodation.

The retail property boom has not been confined to out-of-town sites. As Hillier Parker, the chartered surveyors, note in a survey published this month, "town centre development activity measured by schemes under construction and with planning consent is still running at higher than out-of-town levels."

But the boom will not last indefinitely, if the latest figures are any guide. In the last quarter of 1986, the number of shopping centre proposals coming forward had started to drop for the first time in three years.

Nevertheless, there is enough work to keep companies busy for the short and medium term. There are no less than 572 shopping schemes of more than 50,000 square feet proposed, with planning consent or under construction, according to March 1987 figures.

This adds up to a total of 95.86m square feet, made up of: 52.16m square feet proposed; 28.81m square feet with planning consent; and 14.89m under construction. The overall total is down from over 103m square feet last December, a fall largely explained by the paring down or scrapping of proposals.

The whole of the country has been taking part in this boom, but that is not the case for offices. The main demand here continues to be in London, especially the City and the West End.

Debenham Tewson and Chinnocks, chartered surveyors, has noted that the availability of offices in central London is at its lowest level since 1980. Responding to the high level of demand, the property and construction industries have responded with the announcement of schemes, for properties of more than 100,000 square feet, of 17.5m square feet, largely scheduled for completion towards the end of the decade. Many still await planning permission. Shortages are likely at least until 1990.

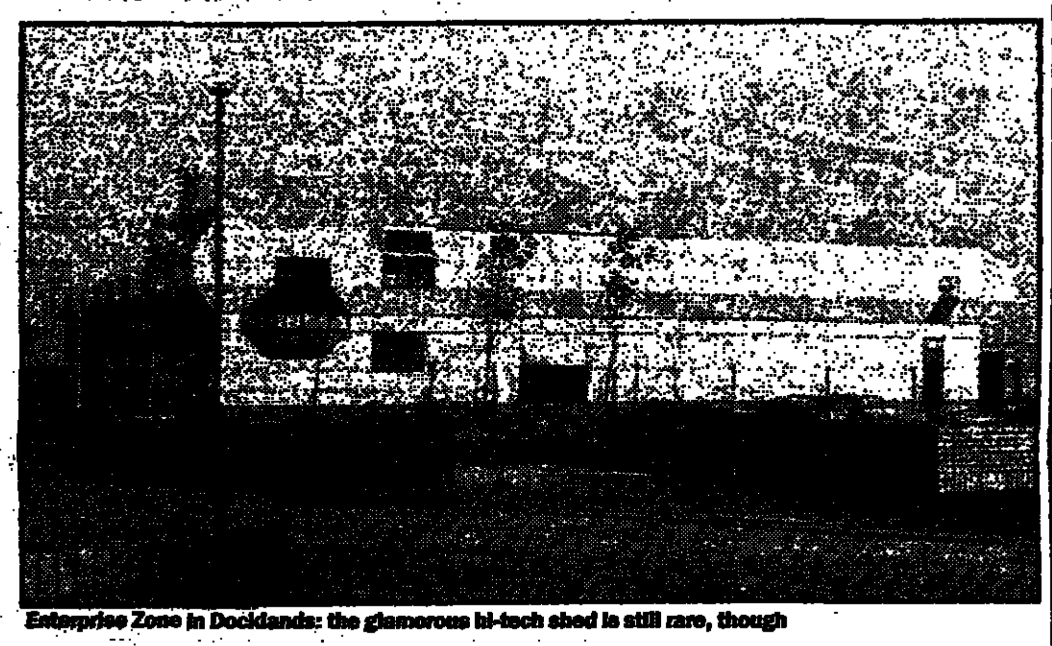
London is an extreme case, but generally there are fewer offices available throughout the country. The problem is that the rents available outside the south of the country are frequently not high enough to justify, for the industry, investment in major new schemes.

This could change. "Available floorspace is now nearly 10 per cent below the peak reached in mid-1984 and there is now just 1.5 years supply based on 1986 lettings. This is the lowest level recorded," said Hillier Parker.

For industrial property, there are sharp regional differences. Shortages have appeared in the south-east. Elsewhere investment in new property is at relatively low levels. In the north the biggest supplier, English Estates, is filling all the small units it can produce and in some areas, like the north-east, there appears to be developing a shortage of intermediate size properties, between 10,000 and 50,000 sq ft.

King and Co, chartered surveyors, have shown that the overall availability of industrial floorspace has declined.

Paul Cheeseright



Enterprise Zone in Docklands: the glamorous hi-tech shed is still rare, though

Industrial building

Slump may end soon

WHILE OTHER privately-funded sectors of the industry such as building homes, shops and offices have boomed, industrial building has been in decline.

It was one of the industry's star performers in 1984, with work up 25.3 per cent on the previous year; at the beginning of 1985, work was up by 33.4 per cent in the first quarter and 23.5 per cent in the second. The sector has now slumped: the value of new factories built in 1986 was down 13.2 per cent on the previous year.

Much of this fluctuation can be attributed to the final phasing out of capital allowances on new factory building in March 1986. In an attempt to take advantage of the allowances while they were still there, companies brought their plans for new factories forward, artificially boosting—and then deflating—industrial building.

There are, however, signs that the downturn in industrial building has now ended, and that orders may be about to pick up again.

"The distortion of tax changes will continue to work its way out of the cycle during 1987, and the underlying trend of industrial building revival will reassert itself in 1988," said Ms Judith Fox, building industry analyst at Savory Milln.

If the Channel Tunnel goes ahead, a 6 per cent improvement in industrial building is forecast for 1988, but even without this, Savory Milln predicts some improvement in the sector.

This should result from the "renewed optimism" shown in the CBI's Industrial Trends surveys, and from lower interest rates, improving profits and greater productivity encouraging investment. For there are clear signs that factory building will pick up as new and modernised companies want to expand.

According to a survey on the Accommodation Needs of Modern Industry, from the Industrial Building Bureau, commissioned by the Department of the Environment, 80 per cent of modern industrial companies want to expand their offices and factories in the next five years.

The survey covered 113 successful manufacturing companies that were using modern processes and technology, to see what they wanted from their factories and sites. It found that the commonest reason for wishing to expand was a sudden increase in orders.

Companies preferred to expand on their existing site if they could, and certainly preferred the south of England to other regions for their factories.

"The need for new premises is crisis-led by sudden demand," said Mr Max Hutchinson, chairman of the IBB. "So the building industry should be standing by ready to meet their needs quickly."

His survey also found that, although modern industrial companies wanted up to a third of their factories as office space, they were not usually interested in expensively designed and fitted buildings.

"The great British shed is alive and well and popular," he said. "The glamorous hi-tec shed with green knobs and yellow lines that you see in the glossy architectural magazines is still rare."

Basically, modern companies just want their new factories simple—and fast. Although much of the downturn in industrial building can be blamed on a temporary fluctuation due to tax changes, it can also be blamed on the builders' own failure to sell their services.

"Industrial building workloads could do with a nudge in terms of marketing from us," said Mr Jack Newby, director of the Building Employers Confederation. "We need to be telling companies they should be refurbishing and renewing their buildings to improve their performance and sell new factories as enthusiastically as we sell new houses through the New Homes Marketing Board. But we're not, and it's an area we ought to work hard on."

The advantages of marketing a package of services to help companies get their factories easily, combined with a proven track record of performance, are illustrated by contractors IDC, which has now won its fifth building for Sony, the Japanese manufacturer.

The latest contract, worth a guaranteed maximum of £4.2m, is to design and build a 6,810 square metre extension to Sony's cathode ray tube manufacturing plant at Bridgend, in South Wales. The project is the fourth undertaken by IDC for Sony at Bridgend, and will enable the company to double its production capacity.

IDC won its first contract for Sony in 1979. The Japanese company was looking for a British contractor to design and build its European television tube plant, and chose IDC because it could produce a finished factory right down to designing the processing layouts and materials-handling systems, and installing and commissioning the plant.

The first contract was followed by a series of repeat orders, as earlier contracts were completed within budget and on time. For industrial companies also demand their new buildings fast—illustrated by Trafalgar House's Cementation Construction's £4m contract to build a new airliner assembly hall for British Aerospace at Hatfield. Cementation completed the project on a "fast track" programme in 35 weeks over the winter period.

"The close relationship and team work which developed between British Aerospace and ourselves was paramount in ensuring successful completion of the development," said Mr Barry Myers, Cementation's chairman.

Time restrictions meant that design went hand in hand with construction on site; and the need to implement plans almost as soon as they had left the drawing board enforced a tightly controlled project management programme.

Careful work programming was also required to ensure that aircraft had freedom of access to the adjacent existing hangar during the construction period—and that the timing was sufficiently precise for the project to be completed, handed over and officially opened on the same day.

Joan Gray

Design and build

Single package finds favour with clients

"WHEN we first started up in the UK, we worked to traditional JCT (Joint Contracts Tribunal) contracts which proved disastrous. We then brought our own design and build (D&B) team over from the US to show the way. D&B is the only way to build, as many UK contractors are beginning to learn."

This comment by a subsidiary of an American company will surprise very few, although there will be those who would substitute the word "clients" for "contractors".

Indeed, the only surprising aspect about the design and build market in the UK is that its practitioners have so far signally failed to blow their own trumpet—and that, as a result, their progress has been almost impossible to chart until recently.

This has now been remedied by a comprehensive study of the market produced by the Centre for Construction Market Information (CCMI), operating out of the Building Centre in London, taking in both pure D&B and also management contracting, a kind of half-way house, heavily promoted by some contractors since it is more to their advantage than the clients'.

In a previous survey two years ago, the CCMI shrewdly forecast that although, at the time, both alternatives to traditional contracting had taken 15 per cent each of the total non-housing market, D&B would grow faster. This has already been found to be true, and the prediction for 1987 is for a growing gap: 18 per cent growth for D&B, only 8 per cent for management contracting.

Both options are billion-pound businesses, with design and build having a turnover of £1.3bn in 1985 and almost £1.5bn in 1986. At present, 86 per cent of this is new build, although D&B refurbishment is also a rapidly growing sector.

Future growth predictions emanate from 70 per cent of the D&B contractors surveyed expecting to increase their output and well over 80 per cent confident of the sector's growth in both the short and longer term. Moreover, half the contractors interviewed who were not currently in D&B said they probably would be in the future.

Even architects, who have traditionally considered D&B a sub-species with poor design inevitably resulting from contractors' control, appear to be adopting a more pragmatic "if you can't beat 'em, join 'em" approach. Although the CCMI's sample was limited to those already practising D&B, 88 per cent of respondents to the survey thought D&B was growing and almost as many thought the profession's, as well as their own D&B workload, would increase in 1987.

Surveyors were found to be universally in support of D&B, which offers a great deal of scope, both to quantity surveyors (who really come into their own as clients' representatives) and to general practice surveyors, specialising in project management.

It is, however, the clients' views which really matter, and in their case almost 90 per cent of the 83 companies surveyed—all of whom had some of their current work done by D&B—said they expected to use the method again, while almost half expected it to increase its share of their total building workload.

The main advantages to clients were perceived as being speed, single point responsibility and value-for-money—in that order. Disadvantages were thought to be few; a remarkably small number of clients thought that D&B should not be used for buildings "of architectural merit".

With D&B, says one client, "contractors concentrate on building, instead of looking for reasons why something can't be built. Where the client takes an interest in the scheme, he should get the same quality at a lower overall cost."

The same client, speaking from experience, mentions "the likelihood of at least 15 per cent overspend" on JCT contracting.

Another experienced client, from the property sector, insists that there is "a clear advantage in having everything in one package, not least because, if something goes wrong, you have a contractor of some substance you can sue—with no arguments about whose responsibility it was".

The loss of the "special relationship" between client and architect, and even the possible restriction of design flair was a price worth paying for the contractor not being able to "pass the buck" to the architect and vice versa, he says.

No wonder that this very factor is also perceived by the contractors as the biggest disadvantage of D&B. The greater risks associated with the overall responsibility were mentioned as often as was the advantage of having greater control: two sides of the same coin.

D&B is equally popular with the public sector. A health authority summed up the benefits as "best value for money, fast contract, with minimum of additional costs both from administration and variations," while a public utility mentioned the advantage of being able to reduce their in-house design staff.

This month CCMI also published a procurement directory, listing the D&B experience and services of leading contractors and architectural practices, listing both the number and types of D&B contracts and details of specific projects.

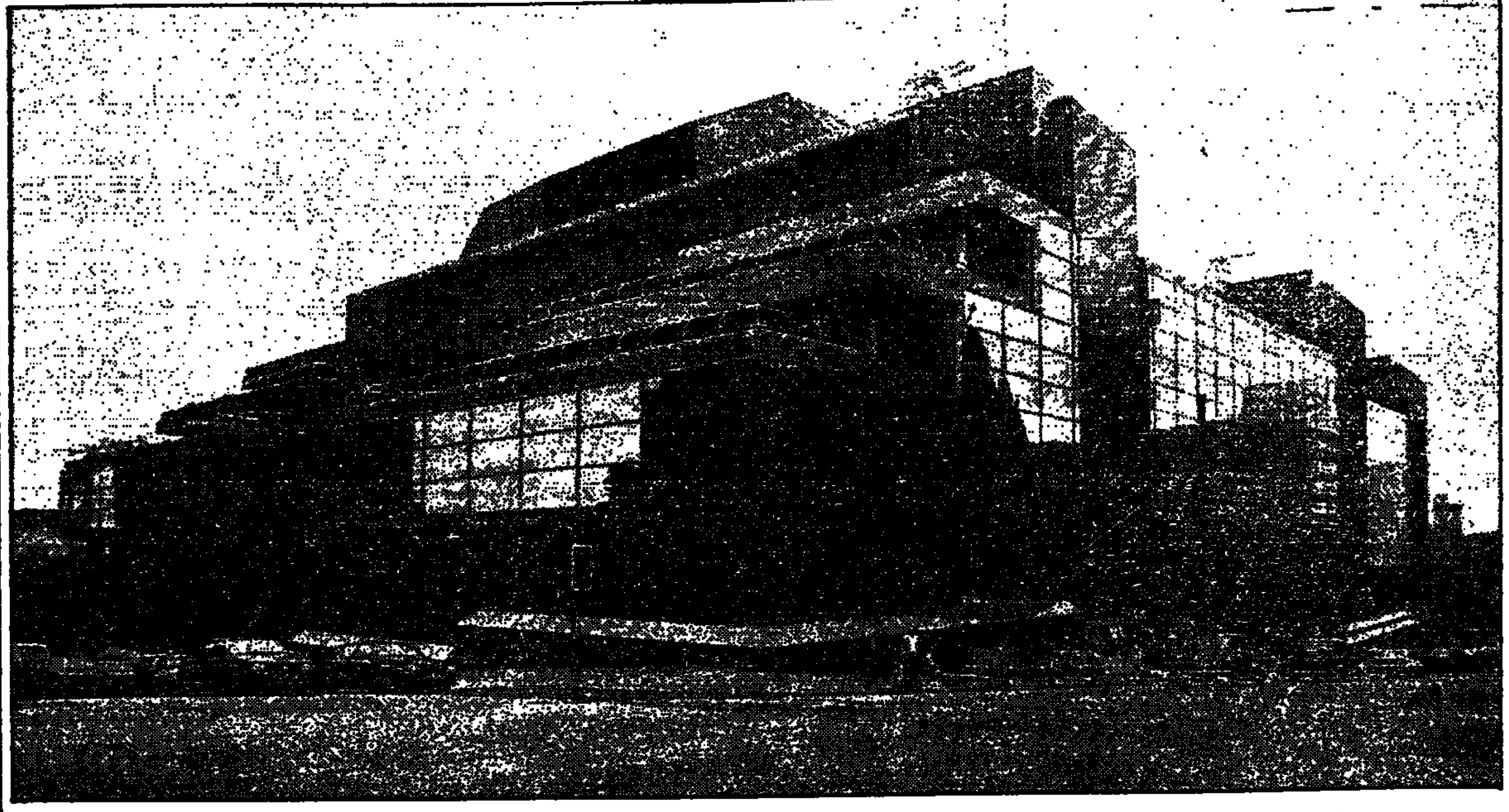
Mira Bar-Hillel

Design and build output

● Estimated output in 1986 of companies undertaking design and build (D&B) work:

Contractors ranked by total D&B output	All building output £m	All design & build £m	All management contracting £m
Top 10 companies	2.908	530	396
Next 10 companies	1.836	269	526
Next 15 companies	1.022	223	142
Next 20 companies	1.048	189	115
The next 48 companies	1,159	111	82
103 companies	7,973	1.322	1.264

The full report from the Centre for Construction Market Information (CCMI), on Design and Build costs £950 plus VAT, and can also be purchased in sections. The procurement directory includes a summary of the survey findings and costs £75. CCMI is at 26 Store Street, London WC1E 7BT. Telephone 01-580 4949: Fax 01-631 0329.



Building programmed to think ahead

BRITOIL'S new headquarters in Glasgow, pictured above, is claimed as one of the first in a new breed that is likely to become increasingly common—the "intelligent" building where voice and data communications systems have been planned in from the start. The idea is to ensure maximum efficiency and to provide flexibility to meet possible changes in the future.

The need in Britoil's case was obvious. The world's leading oil companies depend on a great deal of computer capability for their success in the high risk world of exploration and production.

Each organisation needs an information technology strategy enabling it to take full advantage of new equipment and services but only once these are proven effective. Flexibility for change without disruption is also an important aim.

At the same time the oil companies carry out exploratory searches normally in partnerships and potential partners must be convinced that the company they are linking with has the resources and ability to carry out complex double checking exercises.

Britoil, which has the largest UK offshore exploration acreage, substantial onshore interests, and exploration acreage overseas as well, has two main groupings of activity at Aberdeen and Glasgow.

Rationalisation of buildings took place first of all in Aberdeen where operational activity is concentrated, with Glasgow where corporate and strategic functions are located following.

Hundreds of terminals and personal computers were spread around the city in 13 offices for use in exploration; seismic data processing; mapping; geology and geophysics systems; petroleum engineering; oil reservoir simulation and contouring engineering; capital project planning; and other headquarters functions.

Supporting these were host computers from Hewlett Packard in Aberdeen and Glasgow and IBM and DEC in Glasgow and other specialist and non-specialist equipment.

Communications between the multiple buildings in Glasgow and Aberdeen were based on a Case DCX network and had become increasingly complex.

The prospect was that this complexity would grow with the need for networking between PCs and mainframes, and the introduction of high resolution graphics terminals. This gave rise to one overriding design objective for the new networking system for the new building—a single terminal policy so that each user could, with just one terminal, access the various applications and services they needed.

Britoil's facilities manager had been one of the original project team for the new headquarters building and general principles of how best to give the building the different aspects that would make it intelligent were decided early on.

A data communications subgroup was set up later and by mid-1984 had defined the general principles on which it would design its network.

The solution chosen was based on the company's past experience of using a Cablestream broadband local area network from ITL. The alternative system, baseband, offered speed attractions and the building could have been divided up into baseband segments.

The building's geography meant, however, that a minimum of four segments would have been needed and a likely number of 16 separate, linked segments meant 16 possible failure points.

In the end Britoil chose a two cable broadband structure to give itself double bandwidth on which to accommodate new services. ITL, which was able to manage the project, offer consultancy and provide the full professional services needed, was appointed to supply the equipment.

The cable infrastructure has been laid throughout the building in a shape like a giant geometrical vine with roots in the computer halls and basement. Its branches extend up the vertical risers in the transverse service zones separating the groups of offices, then stretch out under the building's raised floors to form a grid of data services.

Underfloor taps on the cable are arranged in a 6 m grid. Every tap serves up to four floor services outlets and each of these outlets has two 13 amp power sockets, two telephone jack sockets and two co-axial sockets—one to each broadband cable.

The computer equipment population on the network at present includes about 350 Hewlett Packard and DEC terminals in the Glasgow building, with growing numbers of high resolution graphics terminals such as Tektronix, Scitex, Westward and Pericom, plus numerous printers and plotters. Prestel is also available. The linked Aberdeen network is currently about 200 strong.

The installation is designed to ensure that changes in the future do not bring about too much disruption. New word processing and electronic mail systems are currently under evaluation and there will be alterations to the terminal population in terms of supplier and greater use of PCs.

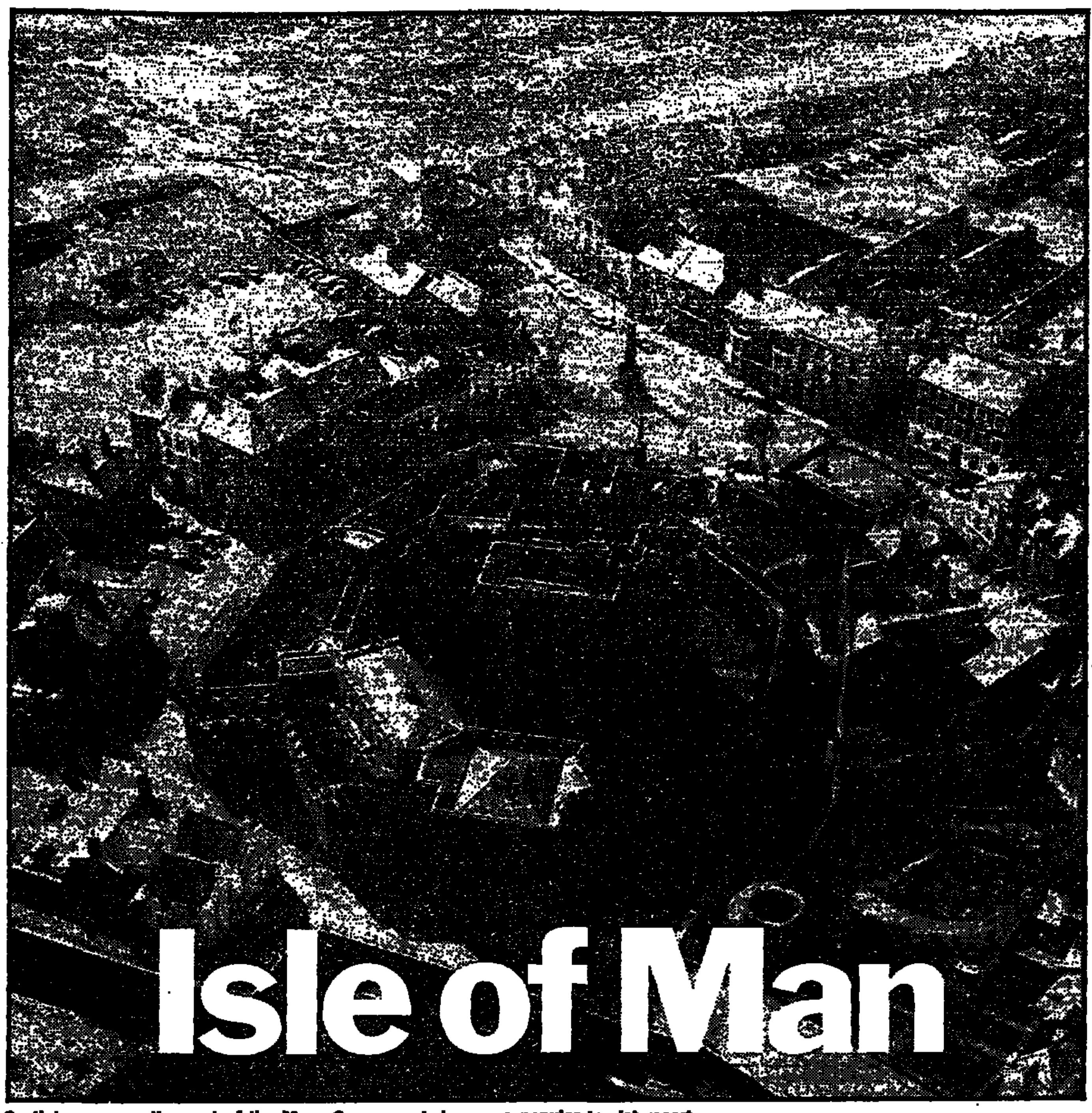
Consideration is also being given as to how best to serve other centres where business is growing such as Indonesia and Cairo.

Sue Denim

SECTION IV

FINANCIAL TIMES SURVEY

Confidence is rising on the island that an economic upturn is on the way. Its rehabilitation as a sound offshore financial centre with tax advantages is proceeding cautiously and is attracting quality as well as quantity among banks, insurance houses and companies, says **Ian Hamilton Fazey.**



Castletown, once the seat of the Manx Government, is now a popular tourist resort

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The route to rehabilitation

THERE ARE unmistakable signs of the beginnings of an economic boom on the Isle of Man. It is not just an echo of the UK's better economic performance. The last five years of striving to give the island a sounder, safer image as an offshore financial centre are starting to pay off.

Gross national product rose by one-third in the first half of the 1980s and—when more recent figures become available—is likely to show that there has been a marked spurt on top of that in the last two years.

However, according to Mr John Webster, the Government's economic adviser: "If you want to know what is going on in the economy you have to look at other indicators than the growth in national income."

Unemployment is a key one. This is below 7 per cent and falling. Labour shortage is already apparent in some sectors, with importation of building workers and skilled financial services staff likely to accelerate.

Mr Webster says that the type of companies setting up on the island underline growing confidence. "Some of the names we have here now speak for their belief that this is an attractive, respectable and supportive environment to operate in. We are attracting quality and quantity," he adds.

In banking, new arrivals include Robert Fleming, Hongkong and Shanghai, and Morgan Grenfell. Another recent life insurance newcomer is Clerical Medical

In other insurance markets, the island's favourable tax regime is attracting increasing numbers of the industry's "captive" companies—set up by large corporations to look after their parents' insurance needs more economically. The idea of a Manx insurance exchange is being promoted vigorously.

Meanwhile, the island's shipping register—which although part of the British registry allows its members to conclude cost-saving offshore crewing agreements without having to opt for a conventional flag of convenience—is expanding fast.

Big names include Ellerman and Shell. More than 5m tonnes of shipping are already registered. Wallems, the shipping management group, is growing rapidly to look after the newcomers and has had to move into bigger offices.

To service them and the rest of the island's growing businesses, accountants now include Arthur Andersen, Coopers & Lybrand, Grant Thornton, Pannell Kerr Foster, Peat Marwick, Spicer and Pegler, Touche Ross and, the latest, Price Waterhouse. Five years ago Pannells and Peats were alone among the host of smaller, local practices.

The profession to respond slowest to the Isle of Man's ever-stronger emergence as "offshore London" has been the law, with the small Manx bar understandably protective of its virtual closed shop. Even these defences have cracked this year—Travers Smith Braithwaite, leading City lawyers, has arrived and expects to do well. Others are looking.

It is now clear to anyone who has followed the island's recent history that the collapse of the Savings and Investment Bank (SIB) with £42.2m of depositors' money in 1982 was a blessing in disguise.

The collapse was a calamity, causing a massive loss of confidence in the island's ability to regulate itself as an offshore centre. The Manx Government has been putting things right with a vengeance ever since.

Today, such a "bank" would never have got a Manx Government licence to operate on the island. It advertised highly competitive interest rates and attracted a great deal of local money, much of which it then lent, and lost, in dubious circumstances.

Although there are still some in the Government's old guard who maintain that higher interest rates always carry higher risks and sensible folk should therefore have known better, these people have now been pushed well into the background in terms of authority on the island.

The Government recognised that if the Isle of Man wished to emerge as a major world offshore centre it had to have a framework of legislation to keep out confidence tricksters, crooks, launderers of ill-gotten money, or even just the plain incompetent.

It spent little on supervision before—and still faces legal action for alleged negligence in the SIB affair, which is why official reports on the collapse remain worryingly unpublished. But it has remedied the deficiency impressively.

The financial supervision commission has been the main instrument of control. It has powers to inspect and order change, to grant licences and remove them. It refused new banking and deposit licences for three years after the SIB collapse while it got itself sorted out. Since then it has only granted them to top banking names.

Moreover, it imposed very tight controls on accountants over their professional indemnity insurance. The effect was to ensure that institutions such as banks could only be audited by the larger, internationally reputable firms.

The commission also set a standard for supervision generally, providing a philosophical framework for standards elsewhere. Thus the shipping register is tightly supervised, with all ships inspected regularly and any Manx-registered vessel or fleet required to have a shore-based manager or agent resident on the island, responsible for its operation.

The non-Manx legal profession is supervised too. Previously anyone could claim to be a lawyer, set up an office and give advice, though they could not speak in Manx courts or convey property.

Struck-off or unqualified people who took advantage of this can do so no longer. Lawyers have to register each year, show a current licence to practise granted by a recognised jurisdiction, and carry sufficient professional indemnity insurance.

As a further safeguard, the island's Banking Act allows the financial supervision commission to inspect law firms' books.

"We want the world to be clear that there is no way that the proceeds of crime and drug money is going to find a safe haven here," says Mr David Cannan, the Manx finance minister.

Mr Miles Walker, the new chief minister who emerged after last November's general election for a new Tynwald, the island's parliament, says: "We are making as sure as we can that everything is good and reputable. People who step out of line will pay the price.

"We also intend to act against companies which have registered on the island and trade in dubious things such as bogus degrees, and against charities which are registered but not resident here. We cannot afford to be damaged by a disreputable fringe," he adds.

Winning international confidence is seen by Mr Walker and Mr Cannan as the key to safe expansion. They are still smarting from three recent incidents which indicate that there is some way to go in getting the image right.

The first came during a reconnaisance trip in April to the US for a government trade mission in the autumn. This revealed a belief in US government departments that the Isle of Man tolerates insider dealing transactions and will not prevent money "laundering" operations by criminals, or help foreign governments track them down.

The well-publicised use of companies registered in the Isle of Man by insider dealers who have been caught has not helped. The Manx Government stresses that it is not only willing to help expose such wrongdoing and track down transactions, but has done so.

The second allegation concerned criminal attempts to use the island to launder proceeds from the London BrinksMat bullion robbery. Some attempts involved "cash" deposits in the form of bankers drafts drawn on UK clearers.

However, the island's Government, police force and banks—themselves subsidiaries of UK clearers—co-operated fully with the British police in ensuring that the evidence was uncovered fully. They say that the gullible parties were the UK clearers who accepted the cash in the first place.

The third incident involved a South African-owned company from Switzerland which looked into using the islands's freeport for a potential South African sanctions-busting operation.

Publicity suggested official island involvement. But the project could never have gone through because the island government has an official anti-apartheid policy. It will deal and trade with South African companies, but only as the UK would, and checks with the British Government anyway.

The best advertisement for the island is that respectable companies and individuals who have looked into the island's attractions for themselves are moving there in increasing numbers, including many from the overcrowded Channel Islands. Long-depressed property prices are picking up.

With 221 square miles, much of it quite beautiful countryside and mountains, population density is 291 per square mile, compared with 599 in the UK, 1,786 on Jersey and 2,277 on Guernsey.

In offshore terms certainly, and perhaps more generally too, some would argue it is one of the best greenfield sites going today.

Offshore investors await the outcome of the UK general election

Exchange controls spectre is laid to rest

BRITAIN'S OFFSHORE financial centres, the Isle of Man included, breathed a sigh of relief when the UK's truncated Finance Act 1987, hurried through Parliament ahead of the General Election, included Clause 160 to remove the Exchange Control Act 1947 from the Statute Book.

Although the machinery to operate exchange controls had already long since been dismantled, the powers to reimpose them remained in place.

For those marketing offshore financial services, the system of exchange controls which the UK implemented up to 1979 has represented something of a ghost that could not quite be laid to rest.

Although there has been little rational cause to fear that such controls could or would ever have been used against offshore investors, their formal repeal by the mainland should finally exorcise the spectre.

Not that all is peaceful on the political front. The offshore centres nervously await the UK election result, because the Labour Party has promised them a much tougher time should it get into power, seeking in particular to reduce their appeal as tax havens.

Mr George Foulkes, Labour's foreign affairs spokesman, has threatened to bring in sweeping anti-avoidance tax legislation, and has reminded the islands of their economic and fiscal dependence on the UK.

Much of Mr Foulkes' wrath appears to have been directed against the Channel Islands, however. These are considerably richer than the Isle of Man, and have also been more active in the corporate business which is the main area of alleged tax avoidance.

Whichever mainland government is returned to power, the Isle of Man is likely to remain highly attuned to the sensitivities of mainland politicians and regulators. Transactions involving suitcases of drug money, or the promotion of dubious investment products, are not part of the island's planned future.

At the same time, offshore centres are not in a position to be too fastidious. It is not natural that financial deals should be put through islands in the middle of the ocean. They have to offer something special.

The legitimate justification for offshore centres is that they offer a privileged base for entry into mainland markets. There is a rapidly growing number of international investors, many of whom are not liable to tax where they live and work.

By investing in the UK through, for instance, the Isle of Man, they can obtain interest and dividends gross, without the need to fill in forms to reclaim tax deducted at source. Many offshore clients are reluctant to sign anything at all, for fear that they would be creating evidence that somehow might be used against them.

In this way, rules devised for internal tax-gathering purposes need not interfere with the interests of offshore investors. In fact, even mainland investors may properly invest in Isle of Man bank accounts when they are not liable for income tax on interest, and such facilities are easily available through the clearing banks.

Companies, too, may legitimately tap financial markets from offshore. Captive insurance subsidiaries of mainland companies may roll up investment income tax-fee in the Isle of Man, and this is with the agreement of the mainland tax authorities—although the tax rules can change significantly from time to time.

However, only the very naive will believe that all the financial transactions passed through the offshore centres are entirely untarnished. An increasing amount of business now comes from places like India and Pakistan, where local exchange controls and tax regulations are presumably being breached.

Offshore centres are not too fussy about faraway tax laws when the countries involved cannot retaliate. All the same, they cannot afford to get involved in overtly criminal behaviour. And they will want to keep in the good books of the mainland authorities.

The Isle of Man competes in an expanding sector. Offshore centres in the European time zone are booming, at a time when the West Atlantic and Caribbean centres are often tainted by corruption. Political uncertainty has meantime overtaken centres in the Far East, such as Hong Kong, where many residents are now seeking offshore bases elsewhere.

Jersey and Guernsey, together with the Isle of Man, are specialists in UK expatriates and other English-speaking clients. Gibraltar, despite its small size, is a significant rival in some respects—and is an important base for selling products into the retired expat market along the Costa del Sol.

For Continentals, however, Luxembourg and other centres such as Liechtenstein and Switzerland tend to be more important. They have language advantages and tailor their services to suit continental tastes.

The Isle of Man's main advantage in present circumstances is that it is in a position to accept overflow business from the Channel Islands.

There is no point in pretending that its reputation is particularly high, following the collapse of the Savings and Investment Bank in 1982. But it has been improving its act, and there is an important flow of new, high quality financial institutions moving to the island.

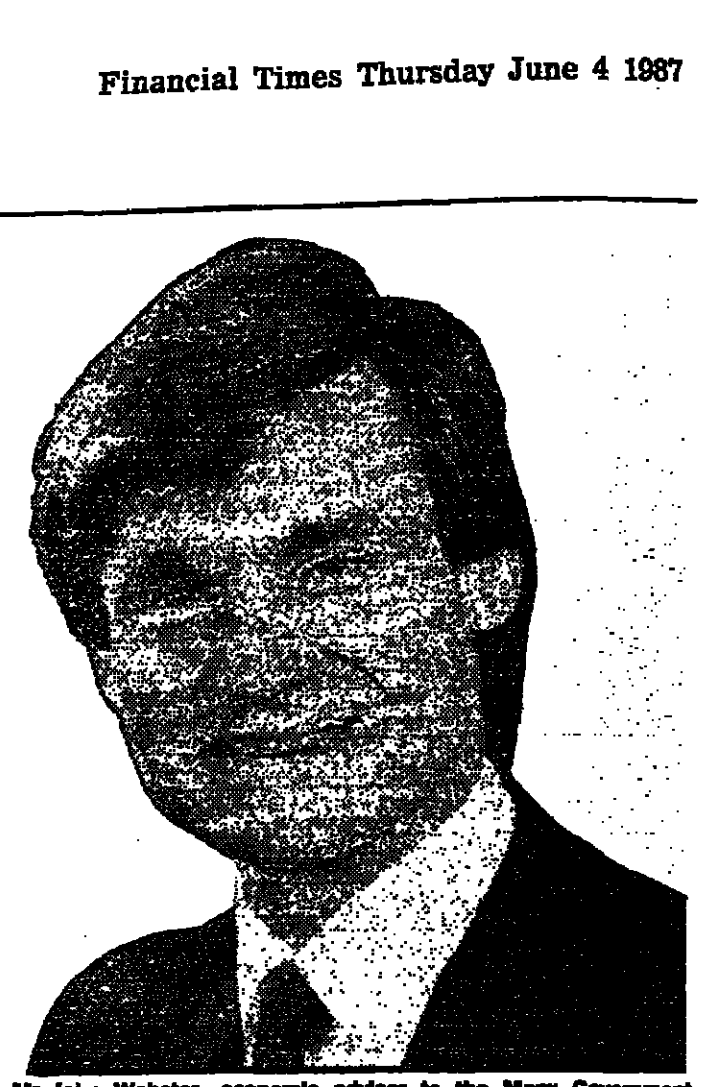
Activity levels are rising fast. Business travel to and from the Isle of Man, by air and sea, increased by 37 per cent last year. International telephone calls (to destinations beyond the UK) jumped by 30 per cent.

According to Mr John Webster, economic adviser to the Manx Government, simple job creation is no longer the main priority. Instead, the objective is to increase the quality of the job opportunities.

"We are now at a stage when we do not need to rush things," he says. The emphasis is on the management of growth, including attempts to diversify the island's financial clientele.

Selling the island in the US or the Far East inevitably comes up against a brick wall of ignorance. But the Isle of Man is ideally situated, it is now well regulated, and it can boast 1,008 years of stable government. Its costs are low, and the infrastructure is good. Only the weather counts against it.

Barry Riley



Mr John Webster, economic adviser to the Manx Government emphasis is on the management of growth

Financial supervision

The quest for designated status

AS AN OFFSHORE financial centre which depends for a large proportion of its business on clients from the mainland, the Isle of Man has to come to terms speedily with the UK's new Financial Services Act.

It is a sign of the island's urgent desire to accommodate mainland requirements that it is proposing its own financial services legislation, which is to be drafted this summer and introduced in Tynwald during the autumn.

If all goes well the new legislation could be enacted in the early part of 1988, soon enough to avoid an awkward and lengthy gap bearing in mind that the UK law should become more or less fully operational around the turn of the year.

The new Manx law hinges around the need for the island to obtain so-called designated country status under Section 87 of the UK legislation. Early discussions are under way, and could reach a climax towards the end of the year.

In order that its salesmen can continue to operate in the UK, and that Manx financial products can continue to be marketed there, the island needs to demonstrate that it can offer equivalent protection for investors to that available on the mainland.

Mr. Mark Solly, director of the Financial Supervision Commission, is grappling with the implications of the quest for designated status. This status would cover part, but not all, of the range of services within the scope of the British Act.

At the moment a number of investment funds sell products into the UK, as do some of the Manx life assurance companies, although they are primarily aiming at offshore markets. The holiday property bond marketed by Isle of Man Assurance is an example of a product which has a significant sale on the mainland, and would need authorisation.

It would be possible to seek cover from the UK regulators on a scheme-by-scheme basis, but this could involve individual investment firms in a great deal of inconvenience, and the plan is to obtain blanket coverage for the island's main financial activities.

One simplifying aspect is that the Isle of Man has no financial markets of any significance, and so it does not need to worry unduly about the large section of the UK Financial Services Act which is devoted to the regulation of investment exchanges.

However, there is plenty more to be concerned about, in matters such as the vetting and supervision of individual practitioners, and the setting up of compensation schemes.

Already the Isle of Man has an effective system of regulation, much of it enacted within the past decade or so. For instance, trust companies and investment companies are regulated by Mr. Solly's commission under the provisions of the existing Banking Acts.

None of this compares with the complexity of the mainland legislation, however. The voluminous and legalistic rule-book of the UK's main watchdog body, the Securities and Investments Board, has recently been approved by the Department of Trade and Industry, and it covers an enormously wide range.

Investment firms have to be run by fit and proper people, they have to comply with rules on capital and liquidity, they have to be covered by professional indemnity insurance and subscribe to compensation schemes, and there must be disciplinary procedures of an approved kind.

Individual practitioners must act in the client's best interests, and must stick to the carefully laid down marketing guidelines (only quoting investment projections on a standardised basis, for example).

When involved in selling life assurance or unit trusts they must be "polarised" between independent advisers on the one hand and company salesmen on the other. All this and much, much, more.

The Manx legislators will be able to simplify somewhat. For instance, in such a small island the elaborate UK network of self-regulatory bodies will not be required.

But there are bound to be some highly delicate negotiations before the precise requirements are agreed which will satisfy the mainland authorities that investor protection on the Isle of Man is of an equivalant standard.

"We want Isle of Man people to be able to market into the UK," says Mr Solly. "But we've still got a lot of talking to do."

The need for a compensation scheme poses what could prove to be the worst problem. It is not clear that a government scheme would be practicable. Meanwhile premium levels in the professional indemnity and fidelity insurance markets are sky-high, so the whole procedure promises to be extremely expensive.

"Fund managers are aware that if there is any delay they may have to consider scheme approval in the UK," Mark Solly recognises.

He also has a slightly different concern about the impact of the new UK legislation, in that after the enormous sorting-out operation on the mainland some of the shadier practitioners who fail to gain authorisation might decide to take the trip to the Isle of Man.

However, the island has not attracted the attention of bucket shop or "boiler house" share pushing operators in the past, and businesses could easily be closed down under Section 7 of the Banking Act, quite apart from the powers the Financial Supervision Commission is likely to gain under the new financial services law.

A drug trafficking offences act and insider dealing measures are also being brought in, to deter commercial criminals from using the Isle of Man for nefarious purposes and to tie in more closely with new approaches by the mainland authorities.

The Isle of Man Constabulary and the FSC are jointly organising a conference on June 18 on commercial crime and offshore centres, with speakers mainly from the UK. The idea is to keep the Manx financial services community informed about the latest criminal techniques.

However, any offshore centre faces a challenge in balancing the requirements of its international clientele for legitimate confidentiality against the demands of mainland authorities for information.

Mr Solly promises that the Isle of Man will co-operate, for instance, in insider dealing cases. But he adds: "If there is to be an inquiry we would want it to be a substantive inquiry. We don't want fishing expeditions."

Barry Riley

Mr Mark Solly, director of the Financial Supervision Commission: still a lot of talking to do

Experts on fraud confer

COMMERCIAL CRIME and offshore centres will be the theme of the first of two special conferences to be staged on the Isle of Man during June. Both will be at the Castletown Golf Links Hotel.

The conference on crime will take place on June 18 and is being organised by the Isle of Man Constabulary and the Financial Supervision Commission. Speakers will include Mr Malcolm Campbell, commander of the Metropolitan and City police company fraud department.

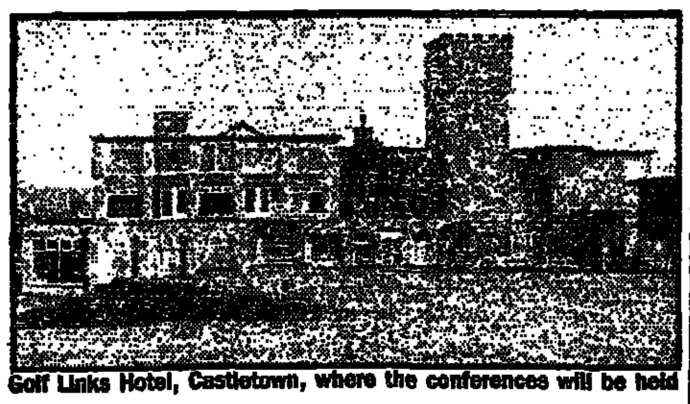
Subjects covered will include the laundering of the proceeds of drug trafficking, and the working of the fraud investigation group. The cost is £50 per head and details can be obtained from the conference secretary at Douglas police headquarters.

The second conference, Developments in Offshore Insurance, will be on June 25-26 and will cover the emergence of the Isle of Man's insurance industry and the opportunities offered by new legislation.

The conference is being organised jointly by the Isle of Man Government Insurance Authority and the Risk and Insurance Research Group of London.

There will be a reception by the Lieutenant Governor on June 24 and a special conference dinner on June 25. The conference fee is £285.

Ian Hamilton Fazey



Golf Links Hotel, Castletown, where the conferences will be held

Mr Richard Danielson, managing director of Celtic Bank, demonstrating his bank's new safe deposit strongroom, the Isle of Man's first

Banks

Hopes of internationalisation

PATIENCE AND careful preparation are about to pay off in a burst of growth for the Isle of Man's banking sector. Robert Fleming was welcomed to the island last month, taking up only the third new banking licence to be issued since 1983. Several other newcomers are in the pipeline.

In fact Morgan Grenfell and Hongkong Bank are also in the process of setting up, although not as banks; they will operate investment management and trust arms, respectively.

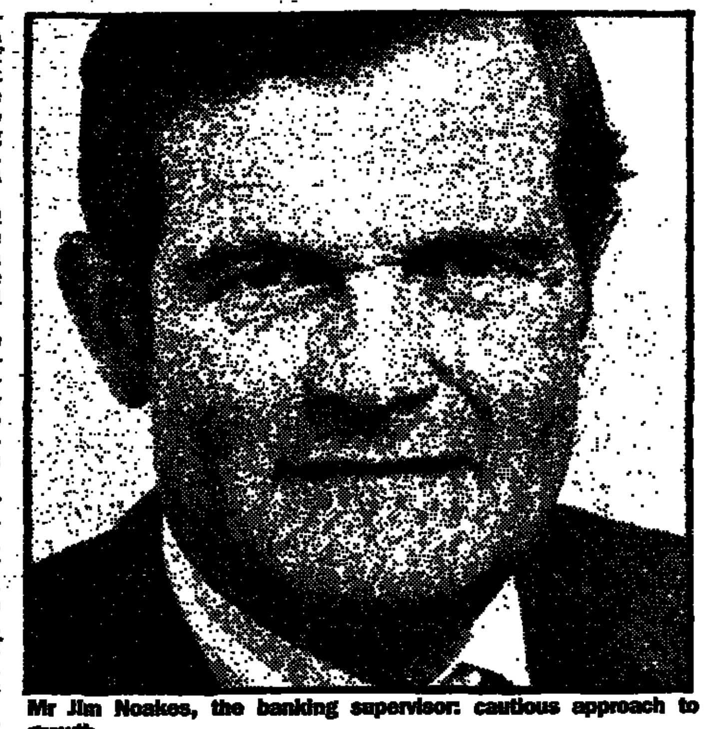
The next step is likely to be the arrival of an important continental bank, marking something of a breakthrough for the island, which has long sought to internationalise its banking sector and thus diversify its customer base.

It was only last year that Mr Jim Noakes, the banking supervisor, lifted what amounted to a three-year moratorium on new licences. That was imposed in the wake of the collapse of the Savings and Investment Bank in July 1982, taking over £40m of depositors' funds with it, and severely denting the island's reputation as a financial centre.

Since then a new framework of regulation has been developed, operated by the Financial Supervision Commission.

Mr Noakes, brought in after the SIB crash, has methodically cleaned up the banking sector, which now consists of some 44 fully licensed banks and another 10 deposit-taking institutions.

For several years the total of banking deposits has been rising healthily, and it climbed from £2.75bn to £3.3bn in the 12 months to the end of March. The gain of 20 per cent was held back by an unusually small rise in the first quarter of 1987, but Mr Noakes believes that this was an aberration and normal growth will be resumed in the current quarter.



Mr Jim Noakes, the banking supervisor: cautious approach to growth

Newly arriving banks will obviously help to boost the aggregate, at least to the extent that they attract deposits from outside the island.

There are several reasons why there is optimism about Manx banking, apart from the gradual recovery in the island's international image.

Offshore banking is still a growing business, especially the personal business in which the island specialises. "We are a retail offshore centre rather than a wholesale banking centre," says Mr Noakes.

Meanwhile, many banks have taken the Big Bang decisions about entry into the securities markets which have been preoccupying them for several years.

Although, obviously, the repercussions of Big Bang will continue to be felt for a long time, banks are now readier to turn their attentions to other matters such as expansion in offshore business.

The other factor operating in the Isle of Man's favour is the appearance of "full up" notices in the Channel Islands, affecting both corporate bodies and the individuals who wish to go there to work and live. The Isle of Man is now poised to exploit its obvious overspill potential.

"We see our competition as being the Channel Islands," says Mr Richard Danielson, managing director of Celtic Bank, the biggest privately owned local bank. He would welcome the arrival of more banks.

"They would bring wider recognition for the Isle of Man as a financial centre," he says, adding that his bank's business comes from as far away as New Zealand and India.

Growing optimism about Manx prospects is said to lie behind the decision of Mr Albert Gubay, the one-time mainland supermarket tycoon, to hold on to his 95 per cent stake in Celtic Bank after putting it up for sale recently.

The private banks, of which there are six, with just 2 per cent of the deposit market, could easily acquire a scarcity value bearing in mind that Mr Noakes is adamant that no more will be licensed.

"We believe that the world is overbanked. We are therefore not in the business of starting up new banks," he comments. Instead, he has his eyes set on attracting much more substantial existing institutions.

It has long been the aim of the Manx authorities to bring in a leading US bank, but Mr Noakes makes it clear that "there isn't a major American bank just around the corner."

However, a US promotional tour is planned for next October, involving Mr Noakes and the Manx Government's Economic Adviser John Webster. They will be targeting perhaps half a dozen major banks, together with government bodies like the Federal Deposit Insurance Corporation.

They will be emphasising the Isle of Man's ideal position within the European time zone, and the starting point will be US banks which already have a major European involvement.

Mr Noakes says that he would like to license an American bank that "could do the business for which the Isle of Man has the facilities."

He adds: "But I would be just as happy to see European banks, and an established Arab bank would be welcome too, as would a Far Eastern bank. It is only necessary that they do the kind of business that is relevant to the Isle of Man."

It is evident, however, that the Manx authorities are taking a cautious approach to growth. The island's economy has picked up recently, unemployment has dropped, and there has been a notable tightening of both the commercial and residential property markets.

The emphasis is therefore on the management of steady growth. "I expect another couple of licences by the end of the year," says Mr Noakes. "I am content that there shouldn't be more than that. I am happier with a steady stream of high quality names than with a flood."

All the same, the Isle of Man is sticking to its policy of encouraging "real" banking operations rather than the brass plate enterprises which proliferate in certain other offshore banking centres, especially in the Caribbean.

A recent debate within official circles on whether to permit so-called "managed" banks has resulted in a confirmation of the line that the island will not license operations of this kind—though managed banks are becoming more popular in the Channel Islands.

A managed bank is a kind of piggy-back operation, whereby an establisd bank (or even another type of organisation, such as a firm of accountants) provides the staff and office facilities for another bank to pass business through.

Some argue that managed banks would represent a cheap option which would discourage the setting up of full branches. But there is an opposite view that managed banks might tend to graduate to a real presence over the course of time.

"If you have a real presence in a jurisdiction you will be much more motivated to promote it," Mr Noakes observes. "But we do not rule out the possibility that managed banks may be allowed at some time in the future. The point is that we are in a different phase of development to the Channel Islands."

Barry Riley

Insurance

Firmly on the offshore map

IT HAS BEEN a remarkable year for the Isle of Man's offshore insurance industry. There has been something of a breakthrough, with 20 new companies added to the list in the past 12 months, taking the total of locally registered companies to more than 50, and putting the island on the insurance map.

Some 17 of the past year's newcomers have been so-called captive insurance companies: that is, they are offshore vehicles which transact all of their business with a mainland parent.

The Isle of Man has attracted some big names in this class of business. British Gas has arrived, and so has the Central Electricity Generating Board, in a joint operation with the South of Scotland Electricity Board.

Others range from Dixons Curry to Jaguar Cars and from Standard Chartered Bank to George Wimpey.

Guernsey has in the past been the established centre of UK offshore insurance, and is the host for perhaps 150 companies, most of which are captives. But the Isle of Man is now offering fierce competition, after the enactment of its insurance legislation about a year ago.

Compared with Guernsey, the Isle of Man has been rather quicker in establishing a framework of insurance regulation, under the executive control of Mr Duncan Neil, the island's Insurance Supervisor. Guernsey's insurance sector grew up in a largely unplanned way, although that island has just implemented its own Insurance Business (Guernsey) Law.

The Isle of Man can offer considerably greater resources of people and office space than the overcrowded Channel Islands. It also offers total tax exemption for offshore companies (other than an annual fee of £2,500), whereas Guernsey charges a 20 per cent rate.

Two or three of the specialised captive insurance company management companies active in Guernsey have been encouraged to set up parallel offices in the Isle of Man, especially with an eye to servicing the larger, more labour-intensive captive operations.

But it is not so much a question of the Isle of Man poaching business from Guernsey, as of both islands benefiting from a growth in the offshore insurance industry.

In the past couple of years steep rises in the level of premiums, especially in specialised classes like professional indemnity insurance, have encouraged large companies to try to sidestep the normal insurance market by setting up their own offshore captives.

The advantage of setting them up offshore is that investment income can roll up tax free. But naturally the mainland tax authorities are alert to any indications that the captives are tax shelters rather than insurance operations. Certain rules (such as on the distribution of profits) need to be followed, and the attitude of the UK Inland Revenue tends to develop over time.

Despite the success of the captive insurance industry, the economic benefit for the Isle of Man is probably not large. Mr Duncan Neil estimates that no more than 15 jobs have been created directly through captive management, though there is additional work for advisers such as accountants.

Mr Mike Richardson, chief executive of the CMI group: island chosen after exhaustive study

The surprise element since the island first started to promote its attractions as an insurance centre a few years ago has been in the growth of offshore life assurance, where several hundred jobs are being created.

Eagle Star is probably the biggest, but several more are arriving, one notable newcomer being Clerical Medical which has decided to establish its offshore base in Douglas.

Clerical Medical International has just launched an investment management operation, though in fact it will not commence its life assurance business until later in the year. With nearly 20 people on its staff at present, it aims at 50 or 60 within two or three years.

According to Mr Mike Richardson, chief executive of the CMI group, it was looking for an international base which was outside the UK tax jurisdiction but was also familiar and near home.

For its new managed portfolio fund CMI thinks it has the ideal formula: an Isle of Man management company, which means it is offshore for tax purposes, but an investment company registered in Luxembourg, so that once the relevant European Community Directive is fully implemented the fund can be marketed anywhere within the EC.

Before deciding on the Isle of Man, CMI embarked on an exhaustive study of all the alternatives. Although Clerical Medical already had a branch in Jersey, space considerations and an escalating salaries spiral ruled it out. Gibraltar was also looked at, but political uncertainty there was a negative influence.

The professional attitude of the Manx regulators was an important factor. "They made us go through all the stages. The authorities impressed us," says Mr Richardson.

The Isle of Man is now in a position to build on its success. The Insurance Authority is part-sponsoring a two-day conference on offshore insurance on June 25 and 26. However, according to Mr Neil "the future is not quite so clear now as it was 12 months ago."

After the recent surge of insurance company registrations the pipeline is more or less empty, perhaps because, he suggests, "the conventional market is being more helpful to its clients."

Mr Neil thinks that the island may need to find a new sense of direction. Long-term planning was not really possible when the authority was submerged by applications, but Mr Neil's desk is now clearer. Another reason for reconsideration is political: a new Manx Government is in power, and the Insurance Authority has a new chairman.

Should the island focus more attention on offshore life assurance rather than the captives, for instance? "The captives have given the island visibility in professional financial circles," Mr Neil points out. But the economic benefits for the island are limited. And it is excessively dependent on the captives of UK parent companies.

"We've got to consider what we are trying to do," says Mr Neil. "We need to take stock, probably towards the end of the year."

Barry Riley

The Tynwald

Streamlining the executive

FEW PEOPLE outside the Isle of Man had heard of Mr Miles Walker before the general election for a new Tynwald—the island's parliament—last November. Suddenly, he was the island's chief minister, with Dr Edgar Mann, the man thought favourite for the job, defeated in the polls.

On the island, however, Mr Walker is a household name. The family business, Walker Brothers, which he runs with his cousin and two uncles, is one of the island's retail dairies. Mr Walker is a milkman, with a "little farm" of 180 acres and 60 cows to go with the business.

There is some doubt, in any event, whether Dr Mann would have been chief minister—the post is an elective one in the gift of Tynwald—even if he had survived a personal electoral battle with Sir Charles Kerruish, Speaker of the House of Keys.

The two men were described by one prominent person on the island as like old stags who locked their antlers in combat, failing to recognise a new generation of strong bucks which had already emerged and was ready to take over, whichever old stag won.

Mr Walker, who is 46, was secretly sounded out about becoming chief minister nearly a year ago. For six years he had chaired Tynwald's local government board and had demonstrated widely admired political skills. He spent the summer thinking about it and what he would do if he were elected to do the job by the new Tynwald.

Since people stand for the House of Keys, Tynwald's lower house, on an individual basis, he could not be certain of the job and—with a system of single transferable voting in operation—there was no way either that he could predict the composition of the pool from which he might be choosing a cabinet.

But there was much more at stake in the election than who was going to be chief minister on even who would be sitting in the new Keys. With the change of government came a wide-ranging series of reforms aimed at streamlining the way the Isle of Man runs its affairs.

Mr Miles Walker, from milkman to chief minister.

Previously, there were 27 departments of government, all run by various boards, the membership of which was decided by Tynwald and interlocked. The chairmen of the boards served on an executive council and the council's chairman was head of government. But the council was not a cabinet and its chairman was. not, technically, a prime minister.

Getting anything done could be ponderous and time-consuming. The reforms reduced the numbers of government departments to nine and created the post of chief minister. Moreover, the chief minister now has the right to choose a cabinet which can function as an executive.

The structure has made strong leadership much easier, providing the basis for a more decisive thrust in policy. Dr Mann, who as chairman of the executive council had long complained about the political juggling act the old structure forced on him, wanted to use the new structure to move to firm cabinet government.

He had already made it clear he would surround himself with like-minded people, even if this proved divisive.

This approach alarmed many on the island, including Mr Walker, and may well have been part of the reason why he was sounded out to stand for the chief minister's post against Dr Mann if the latter were returned.

In the event, Dr Mann's defeat by Sir Charles meant that there was no other nomination, and Mr Walker was elected unopposed. He immediately formed a balanced cabinet, reflecting the overall view of the voters as represented by the new Tynwald.

Mr Walker's cabinet seems to be a centre-right coalition—though it includes the leader of the Manx Labour Party to give fair representation of the left-of-centre view.

Dr Mann's would almost certainly have been a centre-left caucus. Dr Mann is a Liberal and Dr David Moore, who chaired the old finance board but who did not contest last November's election, used to describe himself as a social democrat. Politically, they were comfortable with deficit budgeting.

Mr Walker's equivalent of Dr Moore is now called the finance minister and is Mr David Cannan, aged 50. A native Manxman who did well in Malaysian plantations and south-east property in England, he was active in Berkshire Conservative politics before his return to the island in 1980. He believes the last government was dominated by "pinks."

In his first budget in April, a deficit spending programme planned by the previous administration went out of the window. Mr Cannan declared his belief in strong money and the need to build up reserves. He also enunciated a series of utilitarian maxims on taxation policy designed to promote the greatest good for the greatest number.

The main thrust of the new Government's taxation policy will be to raise thresholds year by year to keep taking as many people out of taxation as possible. At the same time, the married man's allowance will be gradually increased to make it twice the single person's allowance. The basic—and only—taxation rate on the island will remain at 20 per cent.

With the UK's basic tax rate coming down there was a temptation to reduce the 20 per cent rate for propaganda purposes, but this was resisted without much argument. Such an across-the-board tax reduction would not necessarily have seen the better-off spending their money on the island. But higher thresholds put more money into the pockets of people who will spend it locally, thus boosting the retail economy.

The budget was approved unanimously by the new Tynwald, underlining the parliament's fundamentally centre-right outlook. Under it, the married man's allowance has already moved to £6,000 and the single person's to £3,400. Couples with an average mortgage probably pay no tax on most of their first £10,000 of earnings. The comparable allowances in the UK are £3,795 and £2,425 respectively.

The effect of a single rate of tax also produces a very telling comparison. Because of banding in the UK people with an income of £41,200 a year still pay tax at the highest marginal rate of 60 per cent. It is this group to whom the island is very attractive as a place to move to, no matter how much the UK's basic tax rate is cut.

Mr Cannan's views are forthright: "We have moved towards an enterprise culture. We want to see private enterprise succeed, with less government involvement in either business or people's lives," he says.

Mr Walker, however, stresses that "business" means legitimate business. The Government is going to continue developing its regulatory framework to keep out criminals or dubious operators looking for a safe offshore haven. The cost of registering companies on the island has been nearly doubled, for example, and a Financial Services Act is planned to regulate the industry along internationally acceptable lines.

He also believes that the island will eventually have to abrogate its customs agreement with the UK, not to create a duty-free zone and boost tourism, but to give the island full control of its own taxation policies. The customs agreement ties the island to UK levels of value added tax, so that that London, in effect, controls income from this source.

He says that being in proper control of income and expenditure is essential. With the island's economy picking up rapidly, unemployment below 7 per cent and a massive surge in optimism apparent, Mr Walker believes that managing growth is likely to become one of the main tasks of government. It is the sort of problem politicians everywhere would love to have.

Ian Hamilton Fazey

Mr Robert Quayle believes that the Manx bar is non-specialist but Mr John Crellin (right), senior partner of T. W. Cain and Sons, disagrees. "We have geared ourselves up for the expansion of the financial sector," he says.

Legal services

Vigorous competition ahead

THE BIG GAP in the Isle of Man's professional infrastructure has long been acknowledged to be the provision of legal services.

Although the island has a thriving but small bar of 35 advocates who combine the roles of solicitor and barrister, this has been seen as not enough by international firms of accountants and many in the Government.

The arrival last month, then, of the leading London firm of Travers Smith Braithwaite (TSB) was therefore greeted with considerable enthusiasm by the financial community, government officials and leading politicians.

A key factor in TSB's decision to move to the island, however, was finding the right man to run its operations there. He is Mr Robert Quayle, for 11 years clerk to Tynwald and still only 36. Mr Quayle, although not born on the island, had Manx grandparents.

His professional pedigree is also good—Cambridge, followed by the beginnings of a legal career in the City with Linklaters and Paines, until he was invited to apply for the job of clerk to Tynwald at the age of only 25.

Ex-officio membership of the Manx bar eventually followed, so Mr Quayle knows the Manx legal profession from the inside—though he has now had to relinquish his membership with his departure from the Tynwald job.

His move, and TSB's arrival, have caused some misgivings in the Manx legal community. Officially, the newcomer is being welcomed but there are signs that government encouragement of law firms from other jurisdictions to set up on the Isle of Man has not been warmly received.

"Not really necessary, but we'll put up with it," seems to be the underlying feeling. Members of the Manx bar believe themselves fully capable of providing all the legal services the financial sector might need. Accountants and the managers of financial companies disagree.

The criticism of members of the Manx bar is that they have to be the same sort of generalists as English country solicitors. Inevitably—according to the critics—this prevents their acquiring the degree of expertise needed in international financial circles, however good they are at their jobs.

"The Manx bar is non-specialist," says Mr Quayle.

Mr John Crellin, senior partner of T. W. Cain and Sons, refutes this. "We have geared ourselves up for the expansion of the financial sector over the last six to ten years," he says.

Cain's and the other large firm on the island, Dickinson Cruickshank, claim to do 80 per cent of commercial work on the island. "The two of us do the greater part of the international and offshore work," says Mr Crellin.

Most of the rest goes to two smaller firms, Simcox, and Neil and Company.

"We also act as agents to the major London firms," Mr Crellin adds. "We have friendly ties with most of the big ones."

TSB is one of the majors to have had such relations with island advocates in the past. It expects to continue to have friendly, commercial links because although outside lawyers are officially very welcome on the island, the laws governing their activities protect the Manx bar by permitting only its members to convey property or speak in the Manx courts.

TSB will not be able to look forward to using Mr Quayle to get round this. He has been told he can only rejoin the Manx bar if he takes articles again and sits the necessary examinations—including, incidentally, Manx constitutional law, on which his job as clerk to Tynwald made him an authority.

He finds the thought an amusing commentary on the underlying tensions in the situation but stresses, "We are not here to compete with the Manx bar but to complement it. The quid pro quo for the island's advocates is that our business will help attract more people to settle here. They will buy houses and want normal legal representation, which will mean more legal work for members of the Manx bar."

He sees TSB being mainly concerned with offshore funds, trust work and representing many Manx companies and individuals who are active in the UK and need representation there via a local Isle of Man office.

However, Mr Crellin is quite clear that TSB is a rival. He says, "I welcome them here. I feel confident to compete with anyone." He does not believe that TSB, "or the next two or three majors to come in," will be able to make much inroads into Cain's business.

He believes that criticisms of the Manx bar arose from the inexperience of many of its members in the early stages of growth of the financial sector. "There has been a learning curve to go down," he says. "Six years ago we might have needed a week's research to give an opinion. The same job takes us 15 minutes now.

"People off the island don't appreciate that there are firms here with the necessary expertise who can turn work over in the time scale required," he adds.

International confidence underlies the whole issue and the island's government is anxious to attract more major law firms, and not just from the UK. Persuading a US legal "name," for example, would help attract US banks and financial institutions looking for a respectable offshore base.

The same sorts of controls as for other professionals have been introduced to make sure that incoming lawyers are above board. Accountants, for example, have to be able to prove heavy indemnity insurance—which discourages all but the big firms, such as Peat Marwick McLintock, Coopers & Lybrand, Touche Ross and Price Waterhouse.

Lawyers used to be able to put up a sign advertising themselves as such and, though they could practise at the Manx bar, could still offer advice on offshore dealing. There were abuses. Some were not qualified, some had been struck off or disbarred elsewhere.

This is now impossible. All people wanting to call themselves lawyers who are not in the Manx bar have to apply each year for registration with the Government, so that there is always an option to close them down.

They also have to produce a certificate from their home jurisdiction which proves their right to practise, as well as another detailing their professional indemnity insurance.

The controls are there to help remove the fear that encouraging lawyers from other jurisdictions onto the island would lead to a flood of crooks searching out money-laundering facilities for criminal clients.

They therefore open the door to leading international firms which can help plug the long-criticised gap in the professional infrastructure. A delighted accountancy profession therefore turned out in force for the party launching TSB's arrival on the island.

A cheerful Mr Crellin was also there—having previously posted his intention to drink enough champagne to ruin TSB's first-year profits. Competition looks like being vigorous.

Ian Hamilton Fazey

Climate for the manufacturing industry brightens

Incentives bring in business

STEADY GROWTH in the Isle of Man's industrial sector was further underpinned last month when American Biodynamics, a Houston-based medical technology business, decided to set up a manufacturing and marketing operation on the island.

The project will create 30 jobs initially, rising to 100 in five years. There will be £12m of investment in a 28,000 sq ft factory in the first two years. In Isle of Man terms, all of these numbers are big.

Originally, the company intended to use the island for its European operations only but as discussions went on it decided to do its US manufacture there too.

The initial products will be two sophisticated, low-cost electronic devices. One cleans critical components in kidney dialysis machines cheaply enough to cut the cost of dialysis significantly.

The other is an autotransfusion device. It uses membrane technology in a microprocessor controlled apparatus to filter out all wastes, toxins and harmful substances from blood. The blood can then be stored and reinfused back to the patient.

Mr Ian Anderson, the Government's industry minister, thinks the project is exactly right for the Isle of Man. "These are high technology, high added value, low volume, easily transportable products," he says.

Mr Anderson intends to use the Government's wide range of discretionary grants and assistance to continue to attract other manufacturers to the island. He thinks that the American Biody*namics decision will help pull* in other US companies.

Manufacturing already contributes more than 15 per cent of the island's gross domestic products, second to the financial sector at about 20 per cent, but ahead of tourism on 12 per cent.

What is perhaps more important, however, is the way the figures are moving. Over the past five years real growth in manufacturig output has averaged an annual 4.5 per cent, net of inflation. Numbers of jobs have increased by 2 per cent a year and unemployment is now below 7 per cent and falling at a rate as 80 jobs a week are created.

Mr Anderson says: "Many people are unaware of the strength of the manufacturing sector. The Department of Industry operates a low profile because our policy is the work in partnership with private enterprise, with us as a silent partner."

He hopes to get manufacturing's contribution to gross domestic product up to that of the financial sector, which is ambitious indeed, given the rapid expansion of financial services on the island. The Goverment, however, attaches some priority to this objective.

Discretionary grants include 40 per cent of costs of new buildings, building improvements, new plant and machinery, and non-recurring expenditure on commissioning or running-in, including transfer of equipment and key personnel.

Training is also well supported, with 50 per cent grants for approved schemes and special assistance towards apprentice training.

Mr John Corrin, member of the House of Keys: confidence is greater than at any time in the last 20 years

Grants of 40 per cent can be had for new marketing ventures, energy conservation projects, and the cost of employing consultants to advise on microprocessor applications in manufacturing.

All these are in addition to loans covering 50 per cent of working capital requirements—at modest interest rates and with a two-year holiday on capital repayments. Moreover, if a company chooses to rent rather than build a factory, a grant will be given to fund a rent reduction to the value of any foregone building grant.

On top of all that, the rate of corporation tax on profits is the same as for US income tax—20 per cent. There are also substantial first-class capital allowances on investment in buildings, plant and machinery.

A likely future attraction is the Isle of Man freeport. This has been available since 1984 but a succession of developers have failed to move things forward. A local developer is now in charge, turning it into "a brown field site rather than a green field one," according to Mr John Webster, the Government's chief economic adviser.

The 20-acre freeport is next to Ronaldsway airport. The principal advantages of locating there are:

- No duties are payable on goods due for import into the Isle of Man or member states of the European Community (EC) until the goods enter the country or final destination.
- No duties are payable on imported goods due for export to a country outside the EC area.
- Absence of customs formalities, coupled with reliance on commercial documents for control by the authorities, simplifies procedures for companies involved in international trade.
- *Goods can be stored duty-free* within the freeport until market conditions are most favourable for them to be traded.
- Companies in the freeport are exempt from all of the island's statutory planning requirements—although the site's prime position demands construction of high quality buildings of good appearance.

There is one other attribute possessed by the island's industrial sector at present which the Government hopes that potential investors will take strongly into account.

It is a degree of confidence summed up by Mr John Corrin, a newly-elected member of the House of Keys who used to run the Transport and General Workers Union on the island.

He says: "Confidence is greater than at any time in the last 20 years. But we are now starting from a much higher and well-founded industrial base than we had 20 years ago. We really are on a springboard to surge forward. The atmosphere has never been better for business."

Ian Hamilton Fazey

Shipping Register

'Flagging out' grows

THE Isle of Man shipping register has been a dramatic success over the past three years, to the surprise of almost everyone involved, not least the island's government.

The growth of the register has been so rapid that officials at *the Maritime Administration in* Douglas, where the accent has been on safety supervision, rather than clerical efficiency, have found it hard to keep count of the total.

The broad picture, however, is that the register has grown from 36 ships of 62,000 tons deadweight in 1984 to 88 ships of 1,66m tons at the beginning of May this year.

The total will rise to around 120 ships of 3.5m tons this month when the latest batch of applicants has been processed, and is likely to reach at least 150 ships *of more than 4m tons by the* end of the year.

How has it been done? The short answer is that the success of the Manx register is a mirror image of the decline of the main UK register, and is largely dependent on the continuation of that decline for further growth.

Technically, the Isle of Man register is part of the UK register, and Manx compliance with the safety and employment conventions of the International Maritime Organisation and the International Labour Organisation is guaranteed by the British Department of Transport.

This means that the island is regarded as a more respectable "offshore" register than most others, including British dependencies such as Gibraltar and Bermuda, which have attracted *unfavourable comment because* of an alleged lack of supervisory resources.

At the same time, the island offers substantial cost saving advantages because of its constitutional and administrative independence from the UK, and the process of transferring registration provides an opportunity to renegotiate agreements with the maritime trade unions.

Ships also continue to fly the Red Ensign—the traditional flag of the British merchant navy—unless beneficial ownership is also transferred to the island, in which case the flag acquires the distinctive three legs of Man in addition to the Union insignia.

The retention of the Red Ensign is an important attraction to established British companies, such as Shell and Ocean Transport and Trading, which are able to claim that, in a sense, they have not left the UK register at all.

Shipping Register

Date	No. of ships	Tons dwt
June 1974	36	19,000
June 1984	36	62,000
May 1987	88	1.66m
Mid-1987	*120	*3.5m*
End-1987	*150	4m
Mid-1988	*200	—

*Forecast
Source: IoM Maritime Administration

The Manx Government was fortunate that its decision to promote the register, taken in 1984, coincided with worsening freight rates in the deep sea container and tanker trades caused by a worldwide oversupply of ships.

For British owners, this was compounded by cut throat competition from ships manned by cheap Third World crews, many *of which had also* benefited from being financed by tax breaks or straightforward subsidies.

This was the year, too, when Mr Nigel Lawson, the Chancellor, abolished the 100 per cent capital allowances on investment which British shipowners had previously enjoyed, putting thm at a fiscal disadvantage to most other European Community states.

This move, taken as part of a general reform of corporate taxation, had no effect on the viability of existing tonnage, but *there is no doubt that it came as* a substantial psychological blow to many owners.

The General Council of British Shipping has campaigned hard for the reintroduction of capital allowances, or some other form of fiscal incentive which would encourage owners to build new ships, and to keep existing ones on the UK register.

It appears, however, that the British Government is not unhappy to see ship registrations moving to the Isle of Man, which is regarded as a useful *offshore centre within* convenient reach both physically and, if necessary, administratively.

The British Government shares with the maritime trade unions the general view that the transfer of ships to the Isle of Man is a good second best to remaining on the main register.

For this reason, the National Union of Seamen and Numast, the merchant navy officers' union, combined to persuade the ILO to keep the island off its "blacklist" of flag of convenience states, which would have made it less attractive to British shipowners.

The unions take a pragmatic view, recognising that "flagging out" is a fact of life, and that they are better off dealing with a company in the Isle of Man than in the Cayman Islands, Cyprus, or Liberia.

Numast, in particular, has been supportive of the companies which have flagged out to the island, recognising the force of the commercial arguments which have been put to it. Perhaps in response, most of the companies have reached revised manning agreements *which have preserved officers'* jobs for British seafarers.

Virtually without exception, however, the companies have imposed agency crewing arrangements for ratings and catering staff. This means that crews are employed by independent agencies, and supplied on contract to the *shipowners*.

Crew members employed in this way usually receive no sick pay or holiday entitlement, and are reponsible for their own pensions arrangements. It is estimated by trade union officials that this saves companies around 10 per cent of the wage bill.

Most of the agencies which supply crew to the shipowners in this way are based in the Isle of Man—Shell, for example, employs around 1,100 crew through an agency called Marine Personnel Services.

Numast officials say candidly that they envisage the bulk of the UK Register transferring to the Isle of Man eventually, and *they have had a series of* positive talks with the island's Maritime Administration in an attempt to keep a close eye on standards.

The result is the island's Joint Maritime Consultative Committee, established by, among others, Numast, Shell, Canadian Pacific, Denholm Ship Management, and the Manx authorities.

This committee meets twice a year to consider issues that could bring the register into disrepute, and to give relevant advice to the authorities. The committee is purely advisory, but its tripartite structure, representing owners, a major trade union and the Maritime Administration, gives it substantial moral authority.

Captain Geoffrey Davis, the Marine Administration's chief marine surveyor, says the authority is determined to prevent the Register falling into disrepute.

The Register brings in very little direct income for the *island*—the Maritime Administration runs at a loss of around £100,000 a year after taking into account registration and survey fees.

It has brought well over 100 specialist jobs, however, mostly in ship management, and attracted substantial sums into the island economy indirectly.

The growth of the Register is almost certain to continue, as more British shipowners seek an acceptable way of cutting their costs.

Kevin Brown

Profile: Albert Gubay

Millionaire in muddy boots

TRAFFIC WAS snarled up along Douglas Harbour's North Quay. A mixer-lorry had turned up with the next load of concrete for the building site opposite the steam railway station. The site foreman decided to ease matters by directing cars through a tight gap.

Wearing an old blue mac as an overall, he was almost un*remarkable as site foremen go*. Car drivers waved their thanks as they drove forward, then did double-takes as they passed by. That suntan, and the mop of curly grey hair... surely it couldn't be...?

But it was. Albert Gubay, the man who made his millions from Kwik Save supermarkets and then did even better in US retailing—the founder of the Celtic Bank with its "island's biggest" nest of safety deposit boxes, the man who uses his own private jet to flit around his dozen property developments in the UK—*Albert Gubay himself* is quite literally minding his own business.

At tea-break he joins his men inside a half-finished building to produce a silvered vacuum flask from an elegant picnic basket and offer instant coffee in china mugs.

His men eat their own meal from the sorts of cups, bags and carriers one expects to find on building sites. Bemused, they watch the interview, half-smiling as though they cannot believe it is happening.

Mr Gubay sweeps an arm round the room to show he is talking about all of them. "This is the best way I know of making sure the job is done the way I want it. These men and I get on because we understand each other. I call a spade a spade and I tell them when they've done things wrong," he says.

"That's right, isn't it lads?" he demands to a chorus of nods. "Here, bring that coffee with you and come and have a look round," he orders, setting off almost at the double through a forest of planks and around piles of plasterboard.

Anyone wanting a few pointers about how to become a millionaire will find more than a *few on Mr Gubay's building site* on the North Quay. First, there is the land itself, measuring three-quarters of an acre, one corner of it only 20 yards from the end of Athol Street, which is the heart of the Isle of Man's financial services industry.

It was blighted by derelict buildings but its harbour frontage had listed status. The second pointer, then, is to recognise potential but keep your mouth shut until you have the site in the bag for a good price.

Mr Gubay paid £150,000, but puts the land's real worth at £750,000. *Demolition of all but* the listed quayside frontages started opening people's eyes.

It also provided another pointer—how to keep down costs by salvaging everything, from nails to slates to whole roof trusses, that can possibly be re-used.

Mr Gubay is spending £4m in all. There will be three, desperately needed 20,000 sq ft office blocks, with parking for 100 cars on the Athol Street side.

These will back onto a courtyard across which will be a complex of 12 up-market shops, a car showroom, a good quality, first-floor restaurant with a large flat for the restaurateur, and a quayside bistro at street level below it facing the harbour.

The shops, restaurant and bistro are in the listed buildings and it is here that Mr Gubay feels his supervision is most necessary to ensure that every*thing matches stylistically*.

Albert Gubay; expert at keeping down costs

Part of the aged look of the ceiling beams is being achieved by re-using timber from the demolition. Other timber—for doors and floorboards—is being made out of masses of pitch pine salvaged from the demolished structures. Mr Gubay equipped an up-to-date woodworking shop on the site to do this.

He also used his clout as a developer of retail sheds in the UK to get bought-in materials from the mainland at good prices. He claims to have cornered the island's entire supply *of plasterboard to ensure he has* enough to finish the job.

"Workmen lose heart if they can't get materials. I fix all that, so that everything they need is here when they want it. That way the job never loses momentum," he says, with mud on his boots and a look in his eye that warns against taking up much more of his time.

Another load of concrete arrives. He leaps up a conveniently placed ladder to check that the mixer will not foul a lintel. It will not go. "Sorry, I'll have to get on with this now," he shouts over his *shoulder as he rounds up labour* to rip up Douglas Corporation's pavement and kerbstones and dig out enough ground to permit clearance.

There is a pointer here too. The shops and restaurants must be ready for the summer visitors. Nothing is more important to his business at present so he is driving it through himself. Nevertheless, it is hard to think of many millionaries who would carry do-it-yourself to quite this degree.

Ian Hamilton Fazey

Hotels need to gear up to the business traveller

Tourism prepares for the executive

HOTELS ARE a problem on the Isle of Man. The tourist industry's long tradition has been that of the seaside boarding house. The volume of business travel has not so far been enough to ignite real competition between "international" class hotels.

Indeed, it has not been sufficient alone to support even one profitably. Most hotels rely on holidaymakers for most of their revenue. If the tourist trade has tended to be more down-market than up, this has affected prices and services offered.

Choice then is limited for the business traveller. The question is how the hotel industry will respond to the growth in the financial services sector, which is bringing in increasing numbers of travellers used to five-star and de luxe standards — and willing to pay for them.

The Palace in Douglas with its 107 rooms and four suites has long been the market leader. In the past, the hotel could only have been regarded as a middle market one in UK business traveller terms, but the past three years have seen it make a determined effort to improve and pre-empt competition.

Some competition has come from the Admiral House, a small, up-market establishment near the town centre, but though the rooms are good and light lunches are available, lack of a restaurant and full hotel services makes this no more than a superior bed-and-breakfast hostelry.

Meanwhile, island residents have been impressed with improvements at the Grand Island Hotel, just north of Ramsey. This changed hands three years ago but it probably suffers from being old, over-large and located at the opposite end of the island from the airport and Douglas is two-thirds of that distance away.

The Cherry Orchard Hotel at Port Erin has also attracted business traffic with high standards in its 32 rooms and 44 self-catering apartments for between one and six people.

It is against this background that a locally-run consortium is hoping to build a new hotel opposite Ronaldsway Airport, which would be operated by Novotel. This would be part of a £10m scheme that would also create a business park on the same site.

Under the scheme, Normandy Properties, a subsidiary of Isle of Man Assurance, plans to buy 11 acres of land from the Government and then sell on six acres of it to Hotel and Leisure Consultants of Bournemouth to develop the new Hotel.

However, already seeing itself as "the airport hotel" is the 80-room Castletown Golf Links Hotel, a few minutes away from Ronaldsway on a rugged headland. This is owned by the Palace group, which is in turn owned by the Clegg family's trust.

What has been happening at Castletown — both at the hotel and its associated golf course — are powerful indicators of the way the Palace group is shaking itself up and showing a determination to keep a clear market lead.

The Palace has spent £300,000 creating 17 executive rooms at the golf links and intends to convert more of the old rooms. Prime corner position of the hotel is taken up by the Lord Derby suite, which is as good as anything of its kind in the world.

Like the restaurant on the floor below it, the suite has fine views on one side of Derby Haven and its yacht moorings, while the vista on the other side is of the championship-standard Castletown golf links. The Palace group has spent £100,000 on the course to bring it back to scratch.

Thus the business and leisure markets can overlap at Castletown, with the quality of the golf likely to appeal to many well-heeled visitors coming to do business in the financial services sector.

At the same time, there are now the facilities to develop the game itself at the highest level with serious tournaments, as well as entertaining pro-am events. The cause of the latter is being advanced by giving complimentary membership of the Castletown Club to personalities such as Kevin Keegan, Les Dawson, Dennis Taylor, Alex Higgins and Jimmy Hill.

At the Palace Hotel *itself* market segmentation is taking a physical form, with the planned removal from the main building of a large, noisy disco and its transfer across the car park to the Palace Lido entertainment complex, where it will operate as a night club. The Lido already houses an award-winning disco with laser show.

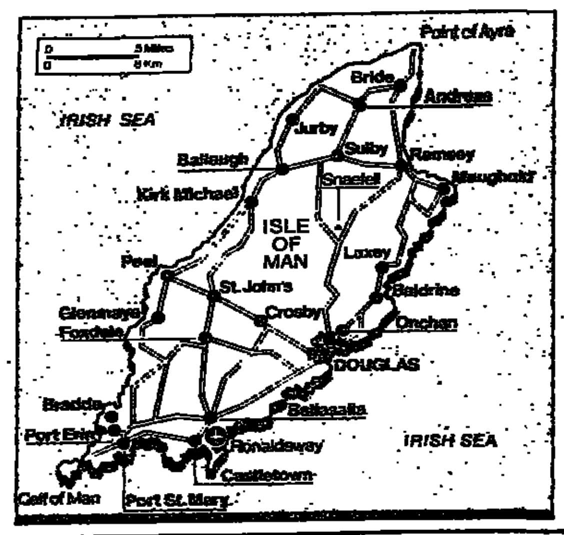
The hotel itself will continue to house the island's casino—the concession to operate this having been re-awarded to the Palace after a successful rival bidder from the mainland withdrew at the last minute.

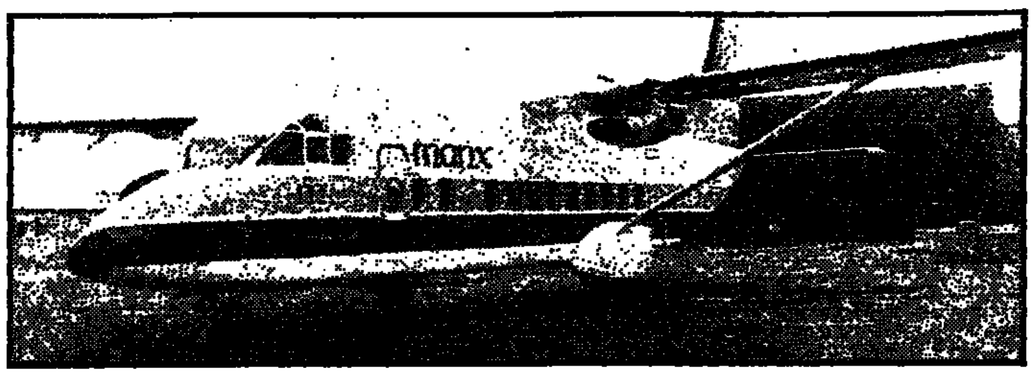
The near miss seems to have strengthened the Palace's determination to do things better, catering especially for business travellers.

The Palace will also be converting the old disco into an exhibition and conference area. With Novotel at least two years off and having a middle market image, the Palace seems in little danger of losing its place, even though it has some way to go.

Ian Hamilton Fazey


Harbour into Douglas, the island's chief town





Manx Airlines' hub

WHEN ALBERT GUBAY leaves the island he does so in his own seven-seater jet, which is flown and managed for him by Manx Airlines and is available for charter at other times.

Mr Nigel Mansell, the racing driver who lives on the Isle of Man, charters it to get him to Grand Prix. It can make Tenerife in one hop.

However, until this summer the aircraft was the only jet Manx Airlines operated. Its flagship aircraft was a Viscount, used mainly on the London Heathrow service and taking 90 minutes to fly to Ronaldsway.

This year Manx Airlines has finally made it into the jet age proper. The Heathrow journey time has now been cut to under an hour, using a BAC1-11 which is itself a stopgap measure until the airline's own DC-9 becomes available in August.

Manx Airlines took over the island's air services only four years ago. British Airways had abandoned the routes as unprofitable and Manx Airlines was formed as an island-based operator by British Midland.

By keeping the operation small, management controls tight and aircraft utilisation high, Manx Airlines has done better than than the modest profits of £250,000 a year expected from the outset.

It made £1.5m in 1985, with "very much better" results promised by Mr Terry Liddiard, managing director, when 1986's figures are announced.

A measure of growth is that there are now 186 employees, exacty 100 more than at start-up, when pilots used to help with the baggage and Mr Liddiard once stepped in to do the washing up.

The airline has used the island's geographical position to make it quite literally the hub of all short-haul routes around and across the Irish Sea, pricipally linking the island daily with Manchester, Liverpool, Blackpool, Belfast, Dublin, and Glasgow, in most cases with several flights a day.

Less frequent services go to Jersey, Edinburgh, Newcastle, Leeds/Bradford and Birmingham, but other profitable routes have been direct ones for Liverpool-Belfast Harbour and Liverpool-Heathrow.

The latter uses a 33-seat Saab 340 commuter aircraft acquired for the purpose and involves six return flights per day. The fare is pitched below that of British Airways' Manchester-Heathrow shuttle and yearly passenger figures have risen from 25,000 to 115,000 in two years.

A fleet of 36-seat Shorts 360 aircraft has been the key to making most of the short hops profitable. The aircraft can be turned round in less than 20 minutes and spend much of each day in the air, using the island as the hub of the routes they fly.

However, the explosive growth of the financial services sector has strained the capacity of the island's Heathrow link to the limit. Despite two return flights a day, the 73-seat Viscount could not cope alone. An extra service in the afternoons with a Shorts 360 was still not enough. Passenger traffic has been growing at up to 20 per cent a year.

On one occasion a group of Swiss businessmen spent several days in London trying to get a flight. While one argument is that this proved how busy the island was, the other side of the coin was an impression that the island could not respond quickly enough to its own growth.

Mr David Cannan, the Finance Minister, made the Government's views known somewhat forcibly and this pressure helped British Midland make up its mind to let Manx Airlines invest in this year's jet.

The BAC1-11 started on May 18 and has increased each flight's capacity by six seats. In addition, the week before the new service started the airline decided to run three return flights a day with the jet from the outset, even if it meant a higher than usual proportion of empty seats in the early days.

Since the DC-9 will push up capacity to 85 a flight, the overall effect will be to give the London route more than 50 per cent more seats throughout the peak summer period. Fares range from £52 for an off-peak one-way ticket to a standard one-way price of £67.

This is real risk-taking for Manx Airlines. Its history so far has been to build up routes with small, efficient aircraft that made only small losses—if they did so at all—in the early stages. It kept overheads down and took care not to overreach itself.

Its entry into the jet age adds a new dimension to the risk. It could have played safe with just two jet returns per day but that would have had only a marginal effect on the London route's capacity problem. It is now hoping that the burgeoning financial services sector is growing fast enough to fill the extra capacity it is putting on.

Meanwhile, Mr Liddiard and his able team have also headed off another area of potential capacity shortage—the route to Manchester, a financial centre and growing rapidly in its own right.

The Viscount, which was going to be let go, has been retained for the Manchester route. Seating capacity is being reduced to 63—still 27 per flight up on the Shorts 360 service—to make room for a parcels service with Securicor, which has its main distribution depot at Risley, near Warrington.

This will mean that sizeable packages on the last Manchester flights of any day will reach any UK destination the next morning, a service that has never been possible before. Mr Liddiard expects this to be used by the island's manufacturing sector.

Ian Hamilton Fazey